

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 7, 2014**

Vanguard Natural Resources, LLC

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation)

001-33756

(Commission File Number)

61-1521161

(IRS Employer Identification
No.)

**5847 San Felipe, Suite 3000
Houston, Texas 77057**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(832) 327-2255**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 1.01. Entry into a Material Definitive Agreement.

On July 30, 2014 pursuant to a Purchase and Sale Agreement, (the “Purchase Agreement”), Vanguard Natural Resources, LLC (the “Company”), and its wholly-owned subsidiary Vanguard Permian, LLC (“Vanguard Permian”), agreed to acquire natural gas, oil and natural gas liquids assets in North Louisiana and East Texas (“the Purchased Assets”) from Hunt Oil Company (“Seller”) for \$278.0 million (the “Acquisition”). This transaction has an effective date of June 1, 2014 and is expected to close on or before October 1, 2014.

The Purchased Assets have total estimated proved reserves of 150 billion cubic feet equivalent, of which approximately 57% is proved developed. Current net production attributable to the Purchased Assets is approximately 17.5 million cubic feet equivalent per day.

The parties have made customary representations, warranties, covenants and agreements in the Purchase Agreement.

The foregoing description of the Purchase Agreement is qualified in its entirety by reference to the full text of the Purchase Agreement, which is attached as Exhibit 10.1 to this Form 8-K and incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

On August 4, 2014, the Company issued a press release announcing the execution and delivery of the Purchase Agreement, a copy of which is filed as Exhibit 99.1 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
Exhibit 10.1	Purchase and Sale Agreement, dated July 30, 2014 among Vanguard Permian, LLC and Hunt Oil Company.
Exhibit 99.1	Press Release dated August 4, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VANGUARD NATURAL RESOURCES, LLC

By: /s/ Scott W. Smith
Name: Scott W. Smith
Title: President and Chief Executive Officer

August 7, 2014

EXHIBIT INDEX

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Exhibit 99.1	Press Release dated August 4, 2014.

PURCHASE AND SALE AGREEMENT
BETWEEN
HUNT OIL COMPANY, and
HUNT OIL COMPANY OF LOUISIANA, INC.
AS SELLER
AND
VANGUARD PERMIAN, LLC
AS PURCHASER

Executed on July 30, 2014

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PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (the “**Agreement**”), is executed on July 30, 2014 by and between Hunt Oil Company, a Delaware corporation (“**HOC**”) and Hunt Oil Company of Louisiana, Inc., a Delaware corporation (“**HOCLA**” and together with HOC, “**Seller**”), and Vanguard Permian, LLC, a Delaware limited liability company (“**Purchaser**”).

RECITALS:

A. Seller desires to sell to Purchaser and Purchaser desires to purchase from Seller the Assets, in the manner and upon the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound by the terms hereof, agree as follows:

Article 1

PURCHASE AND SALE

Section 1.1 **Purchase and Sale.**

At the Closing, and upon the terms and subject to the conditions of this Agreement, Seller agrees to sell and convey to Purchaser and Purchaser agrees to purchase, accept and pay for the Assets. Capitalized terms used herein shall have the respective meanings ascribed to them in this Agreement as such terms are identified and/or defined in Article 13 hereof.

Section 1.2 **Assets.**

As used herein, the term “**Assets**” means, subject to the terms and conditions of this Agreement, all of Seller’s right, title, interest and estate, real or personal, recorded or unrecorded, movable or immovable, tangible or intangible, in and to the following, excluding, however, the Excluded Assets:

(a) All of the oil and gas leases; oil, gas and mineral leases; subleases and other leaseholds; carried interests; mineral fee interests; overriding royalty interests; reversionary rights, farmout rights; options; and other properties and interests described on Exhibit A, subject to such depth limitations and other restrictions as may be set forth on Exhibit A or in the instruments that constitute (or are assignments or conveyances in the chain of title to) the foregoing properties and interests (collectively, the “**Leases**”), together with each and every kind and character of right, title, claim, and interest that Seller has in and to the Leases, the lands covered by the Leases or the lands pooled, unitized, communitized or consolidated therewith (such lands covered by the Leases or pooled, unitized, communitized or consolidated therewith being hereinafter referred to as the “**Lands**”);

(b) All oil, gas, water, CO2 or injection wells located on or within the geographical boundaries of the Lands, whether producing, shut-in, plugged or abandoned, and including the wells shown on Exhibit A-1 attached hereto (whether or not located on the Lands) (the “**Wells**”);

(c) Any pools or units which include any portion of the Lands or all or a part of any Leases or any Wells, including those pools or units referred to Exhibit A-1 (the “**Units**”, such Units together with the Leases, Lands and Wells, or in cases when there is no Unit, the Leases together with the Lands and Wells, being hereinafter referred to collectively as the “**Properties**” and individually as a “**Property**”), and including all interest of Seller in Hydrocarbon production from any such Unit, whether such Unit Hydrocarbon production comes from Wells located on or off of a Lease, and all tenements, hereditaments and appurtenances belonging to the Leases and Units;

(d) All contracts, agreements and instruments by which the Properties are bound, or that relate to or are otherwise applicable to the Properties, but in each case only to the extent applicable to the Properties and not other properties of Seller not included in the

Assets, including operating agreements, unitization, pooling and communitization agreements, declarations and orders, joint venture agreements, farmin and farmout agreements, water rights agreements, exploration agreements, area of mutual interest agreements, participation agreements, exchange agreements, transportation or gathering agreements, agreements for the sale and purchase of Hydrocarbons and processing agreements, and further including those agreements and instruments identified on Schedule 1.2(d) (hereinafter collectively referred to as the “**Contracts**”), provided that “Contracts” shall exclude (i) any master service agreements, (ii) any contracts, agreements and instruments to the extent transfer is (A) restricted by their respective terms or third-party agreement and the necessary consents to transfer are not obtained pursuant to Section 3.5, or (B) subject to payment of a fee or other consideration under any license agreement or other agreement with a Person other than an Affiliate of Seller, and for which no consent to transfer has been received or for which Purchaser has not agreed in writing to pay the fee or other consideration, as applicable, and (iii) the instruments constituting the Leases, Surface Contracts and the assignments or conveyances in Seller’s chain of title to the Leases;

(e) All surface fee land, easements, permits, licenses, servitudes, rights-of-way, surface leases and other surface rights appurtenant to, and used or held for use primarily in connection with, the Properties, including those identified on Schedule 1.2(e) (hereinafter collectively referred to as the “**Surface Contracts**”), provided that “Surface Contracts” shall exclude any permits and other appurtenances to the extent transfer is (i) restricted by their respective terms or third-party agreement and the necessary consents to transfer are not obtained pursuant to Section 3.5, or (ii) subject to payment of a fee or other consideration under any license agreement or other agreement with a Person other than an Affiliate of Seller, and for which no consent to transfer has been received or for which Purchaser has not agreed in writing to pay the fee or other consideration, as applicable;

(f) All equipment, machinery, fixtures and other tangible personal property and improvements located on the Properties or currently used or held for use primarily in connection with the operation of the Properties, including any wells, tanks, boilers, buildings, fixtures, injection facilities, saltwater disposal facilities, compression facilities, pumping units and engines, flow lines, pipelines, gathering systems (including the Bayou Dorcheat Gathering System), gas and oil treating facilities, machinery, power lines, telephone and telegraph lines, roads, telemetry equipment and other appurtenances, improvements and facilities, but excluding the items expressly identified on Exhibit A-2 (subject to such exclusions, the “**Equipment**”);

(g) The Gas Plants;

(h) All Hydrocarbons produced from or attributable to the Properties from and after the Effective Time; and all inventories of Hydrocarbons produced from or attributable to the Properties that are in storage on the Effective Time;

(i) All Imbalances; and

(j) All vehicles and vessels currently used in connection with the Assets;

(k) All of Seller's proprietary seismic data solely to the extent directly relating to the Properties;

(l) All lease files; land files; well files; gas and oil sales contract files; gas processing files; division order files; abstracts; title opinions; land surveys; non-confidential logs; maps; engineering data and reports; all geologic data, including any interpretations analyses and reports related thereto, and Seller's engineering plans or data pertaining to potential development of the Assets; and other books, records, data, files, maps and accounting records to the extent related to the Assets, or used or held for use primarily in connection with the maintenance or operation thereof, but excluding (i) any books, records, data, files, plans, maps and accounting records to the extent disclosure or transfer is restricted by third-party agreement or applicable Law and the necessary consents to transfer are not obtained pursuant to Section 3.5, or subjected to payment of a fee or other consideration by any license agreement or other agreement with a Person other than an Affiliate of Seller, or by applicable Law, and for which no consent to transfer has been received or for which Purchaser has not agreed in writing to pay the fee or other consideration, as applicable; (ii) computer software; (iii) all legal records and legal files of Seller, work product of Seller's legal counsel and records protected by attorney-client privilege, but excluding in each case Leases, Contracts, Surface Contracts and title opinions; (iv) records relating to the offer, negotiation or consummation of the sale of the Assets; (v) Seller's reserve studies, estimates and evaluations, and engineering studies and economic studies and (vi) any lease files; land files; well files; gas and oil sales contract files; gas processing files; division order files; abstracts; title opinions; land surveys; non-confidential logs; maps; engineering data and reports; and files and all other books, records, data, files, maps and accounting records to the extent related to any plugged and abandoned wells located on lands outside of the geographical boundaries of the Lands or to any expired leases (collectively, subject to such exclusions, the "**Records**"); provided, however, that Seller may retain the originals of such Records (A) as Seller has determined may be required for litigation, Tax, accounting, and auditing purposes or (B) in instances in which the Records for the Assets are commingled with records for properties not included in the Assets (the "**Retained Records**") and shall instead provide Purchaser with access to such Retained Records in accordance with Section 1.5(c).

Notwithstanding anything to the contrary contained herein, with respect to the seismic data described in Section 1.2(k) above, at Closing Purchaser shall grant to Seller a non-exclusive, irrevocable, non-transferable, worldwide, royalty-free right and license to use and to copy such seismic data with such license to be effective as of the Effective Time.

Section 1.3 **Excluded Assets.**

Notwithstanding the foregoing, the Assets shall not include, and there is excepted, reserved and excluded from the purchase and sale contemplated hereby (collectively, the "**Excluded Assets**"):

(a) (i) All corporate, partnership, limited liability company, financial, tax and legal records of Seller that relate to Seller's business generally (whether or not relating to the Assets), (ii) all books, records and files that relate to the Excluded Assets, (iii) those

records retained by Seller pursuant to Section 1.2(j) and (iv) copies of any other records retained by Seller pursuant to Section 1.5;

(b) The items expressly identified on Exhibit A-2;

(c) All claims for refunds of, or rights to receive funds from any Governmental Body or loss carry forwards with respect to (i) Taxes attributable to the Assets for any taxable period, or portion thereof, ending at or prior to the Effective Time or to Seller's businesses generally, (ii) income or franchise Taxes of Seller, or (iii) any Taxes attributable to the Excluded Assets;

(d) All rights to any other costs or expenses borne by Seller or Seller's predecessors in interest and title attributable to periods prior to the Effective Time;

(e) All rights relating to existing claims and causes of action (including insurance claims, whether or not asserted, under policies of insurance or claims to the proceeds of insurance) that may be asserted against a third Person, including those described in Schedule 5.7 hereto, except to the extent such rights and claims arise from obligations or liabilities assumed by Purchaser hereunder;

(f) All rights of Seller under Contracts attributable to periods before the Effective Time insofar as such rights relate to Seller Indemnity Obligations or other liabilities of Seller retained under this Agreement;

(g) Rights to conduct joint interest audits or other audits of Property Costs incurred before the Effective Time, and to receive costs and revenues in connection with such audits, in each case to the extent Seller is responsible for such Property Costs under this Agreement;

(h) Seller's area-wide bonds, permits and licenses or other permits, licenses or authorizations used in the conduct of Seller's business generally as reflected in Schedule 1.3(h);

(i) All trade credits, account receivables, note receivables, take-or-pay amounts receivable, and other receivables attributable to the Assets (excluding Hydrocarbon inventories subject to Section 1.2(h) for which Seller receives an upward adjustment to the Purchase Price) with respect to any period of time prior to the Effective Time, as determined in accordance with GAAP;

(j) Trademarks, patents and trade names;

(k) Bonds, letters of credit and guarantees retained by Seller pursuant to Section 12.6;

(l) All tools, pulling machines, warehouse stock, equipment or material temporarily located on the Properties and not used or held for use in the operation of the Properties;

(m) All offices and office leases, and computers, phones, office supplies, furniture and related personal effects located off the Properties or only temporarily located on the Properties;

(n) Assets retained by Seller or excluded from the Assets at Closing pursuant to Sections 3.4(d)(ii), 3.5, 4.4(b) or 7.7, subject to the terms of such Sections; and

(o) All leased personal property currently used in connection with the Assets as set forth on Schedule 1.3(o) and all other leased personal property (including leased vehicles).

Section 1.4 Effective Time; Proration of Costs and Revenues.

(a) Possession of the Assets shall be transferred from Seller to Purchaser at the Closing, but certain financial benefits and obligations of the Assets shall be transferred effective as of 7:00 A.M., local time, where the respective Assets are located, on June 1, 2014 (the “**Effective Time**”), as further set forth in this Agreement.

(b) Except to the extent accounted for in the adjustments to the Purchase Price made under Section 2.2, (i) Purchaser shall be entitled to all production from or attributable to the Properties at and after the Effective Time (and all products and proceeds attributable thereto), and to all other income, proceeds, receipts and credits earned with respect to the Assets at or after the Effective Time, and (ii) Seller shall be entitled to all production from or attributable to the Properties prior to the Effective Time (and all products and proceeds attributable thereto), and to all other income, proceeds, receipts and credits earned with respect to the Assets prior to the Effective Time. “Earned” and “incurred”, as used in this Agreement, shall be interpreted in accordance with GAAP and Council of Petroleum Accountants Society (“**COPAS**”) standards, as implemented by Seller in the ordinary course of business consistent with past practice. For purposes of allocating production (and accounts receivable with respect thereto), under this Section 1.4(b), (i) liquid Hydrocarbons shall be deemed to be “from or attributable to” the Leases, Units and Wells when they pass through the pipeline connecting into the storage facilities into which they are transported from the lands covered by the applicable Lease, Unit or Well, or if there are no storage facilities, when they pass through the LACT meter or similar meter at the entry point into the pipelines through which they are transported from such lands and (ii) gaseous Hydrocarbons shall be deemed to be “from or attributable to” the Leases, Units and Wells when they pass through the delivery point sales meters or similar meters at the entry point into the pipelines through which they are transported from such lands. Seller shall utilize reasonable interpolative procedures to arrive at an allocation of production when exact meter readings or gauging and strapping data is not available.

(c) As used herein, “**Property Costs**” means (i) all costs attributable to the ownership, development, operation or maintenance of the Assets (including costs of insurance and ad valorem, property, excise, sales, use, severance, production and similar Taxes (including any interest, fine, penalty or additions to Tax imposed by a Governmental Body in connection with such Taxes) based upon or measured by the ownership or operation

of the Assets or the production of Hydrocarbons therefrom, but excluding any other Taxes), (ii) capital expenditures incurred in the ownership, development, operation and maintenance of the Assets in the ordinary course of business, (iii) where applicable, such costs and capital expenditures charged in accordance with the relevant operating agreement, unit agreement, pooling agreement, pre-pooling agreement, pooling order or similar instrument, or if none, charged to the Assets on the same basis as charged on the date of this Agreement, and (iv) overhead costs charged to the Assets by unaffiliated third parties under the relevant operating agreement, unit agreement, pooling agreement, pre-pooling agreement, pooling order or similar instrument by unaffiliated third parties, or if none, charged to the Assets on the same basis as charged on the date of this Agreement; *provided* that “Property Costs” shall exclude, without limitation, liabilities, losses, costs, and expenses attributable to (i) claims, investigations, administrative proceedings or litigation directly or indirectly arising out of or resulting from actual or claimed personal injury or death, property damage or violation of any Law (including private rights or causes of action under any Law), (ii) title claims (including claims that the Leases have terminated), (iii) pre-Effective Time obligations to plug wells, dismantle facilities, close pits and restore the surface or seabed around such wells, facilities and pits, (iv) pre-Effective Time obligations to cure, address or remediate any contamination of groundwater, surface water, soil or Equipment under applicable Environmental Laws, (v) obligations to furnish make-up gas according to the terms of applicable gas sales, gathering or transportation contracts, (vi) gas balancing obligations and similar obligations arising from Imbalances and (vii) obligations to pay working interests, royalties, overriding royalties or other interests held in suspense, all of which are addressed in Section 11.2 or elsewhere in this Agreement. For the purposes of calculating the adjustments to the Purchase Price under Section 2.2 or implementing the terms of Section 7.8 or Article 11, (A) right-of-way fees, insurance premiums and Property Costs (excluding Taxes which are addressed in clauses (B), (C), and (D) of this sentence) delay rentals, lease bonuses, minimum royalties, option payments, lease extension payments and shut-in royalties that are paid periodically shall be prorated based on the number of days in the applicable period falling before, or at and after, the Effective Time (B) ad valorem, property, severance, production or similar Taxes which are based on the quantity of or the value of production of Hydrocarbons shall be apportioned between Seller and Purchaser based on the number of units or value of production actually produced, as applicable, before, and after, the Effective Time, (C) other ad valorem, property, severance, production or similar Taxes shall be prorated based on the number of days in the applicable period falling before, or at and after, the Effective Time, and (D) all other Taxes shall be apportioned based on an interim closing of the books of Seller as of the Effective Time.

Section 1.5 Delivery and Maintenance of Records and Retained Records.

(a) Seller, at Purchaser’s cost, shall use reasonable efforts to deliver the Records (FOB Seller’s office), other than the Retained Records, to Purchaser within thirty (30) days following Closing. Seller may retain original Records of those items set forth in Section 1.2(j) and/or copies of any Records.

(b) Purchaser, for a period of seven (7) years following the Closing, will (i) retain the Records, (ii) provide Seller, its Affiliates, and its and their officers, employees and representatives with access to the Records during normal business hours for review and copying at Seller's expense and (iii) provide Seller, its Affiliates, and its and their officers, employees and legal counsel with access, during normal business hours, to materials received or produced after Closing relating to any claim for indemnification made under Section 11.2 of this Agreement (excluding, however, attorney work product and attorney-client communications protected by privilege and prepared with respect to any such claim being brought by Purchaser and information subject to an applicable confidentiality restriction in favor of third parties) for review and copying at Seller's expense and to Seller's and its Affiliates' employees for the purpose of discussing any such claim.

(c) Seller, for a period of seven (7) years following the Closing, will (i) retain the Retained Records, (ii) provide Purchaser, its Affiliates, and its and their officers, employees and representatives with access to the Retained Records during normal business hours for review and copying at Purchaser's expense and (iii) provide Purchaser, its Affiliates, and its and their officers, employees and legal counsel with access, during normal business hours, to materials received or produced after Closing relating to any claim for indemnification made under Section 11.2 of this Agreement (excluding, however, attorney work product and attorney-client communications protected by privilege and prepared with respect to any such claim being brought by Purchaser and information subject to an applicable confidentiality restriction in favor of third parties) for review and copying at Purchaser's expense and to Purchaser's and its Affiliates' employees for the purpose of discussing any such claim; provided, however, that the Retained Records and the information contained therein shall be subject to the Confidentiality Agreement, which notwithstanding anything to the contrary contained herein or therein shall remain in full force and effect as to the Retained Records for such seven (7) year period.

ARTICLE 2

PURCHASE PRICE

Section 2.1 Purchase Price.

The purchase price for the Assets (the "**Purchase Price**") shall be Two Hundred Seventy-eight Million Dollars (\$278,000,000.00), and shall be adjusted as provided in Section 2.2 (the "**Adjusted Purchase Price**").

Section 2.2 Adjustments to Purchase Price.

The Purchase Price for the Assets shall be adjusted as follows with all such amounts being determined in accordance with GAAP and COPAS standards (with such adjustments being made so as to not give duplicative effect):

(a) Reduced by the aggregate amount of the following proceeds received and retained by Seller between the Effective Time and the Closing Date (with the period between

the Effective Time and the Closing Date referred to as the “**Adjustment Period**”): (i) proceeds from the sale of Hydrocarbons (net of any royalties, overriding royalties or other burdens on or payable out of production, gathering, processing and transportation costs and any production, severance, sales, use or excise Taxes not reimbursed to Seller by the purchaser of production) produced from the Properties during the Adjustment Period and (ii) proceeds from unaffiliated third parties with respect to the Gas Plants, including any revenues from the gathering, transporting, processing or fractionation of Hydrocarbons or other similar processes or activities performed at or in connection with the Gas Plants;

(b) Reduced in accordance with Section 3.5, by an amount equal to the Allocated Value of those Properties (i) with respect to which preferential purchase rights have been exercised prior to Closing or (ii) that cannot be transferred due to unsatisfied and unwaived requirements for consent to the assignments contemplated hereby in each case determined without regard to the Individual Defect Deductible or the Defect Deductible;

(c) Reduced in accordance with Section 7.7 by an amount equal to the Allocated Value of those Properties that are subject to a suit, action or proceeding prior to Closing seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated hereby in connection with a claim to enforce preferential rights;

(d) (i) Subject to Section 3.4(i), reduced by the applicable Title Defect Amount as a result of Title Defects for which the Title Defect Amount has been finally determined or agreed pursuant to Section 3.4 (or, for purposes of the Closing Payment, pursuant to Seller’s good faith estimate), and by the Allocated Value of any Title Defect Property retained by Seller pursuant to Section 3.4(d)(ii) and (ii) increased by the applicable Title Benefit Amount as a result of Title Benefits for which the Title Benefit Amount has been finally determined or agreed pursuant to Section 3.4;

(e) Reduced by the Allocated Values of any Properties excluded by Seller pursuant to Section 3.6;

(f) Reduced by (i) subject to Section 4.4, any amount agreed upon by Purchaser and Seller pursuant to Section 4.4(a) regarding the reasonable estimate of the cost of curing Environmental Liabilities for any affected Property not retained by Seller, and (ii) the Allocated Value of any Property retained by Seller pursuant to Section 4.4(b);

(g) Increased by the amount equal to the value of all of Seller’s inventories of Hydrocarbons produced from or attributable to the Properties that are in storage above the pipeline connection as of the Effective Time as measured by tank straps, gauge lines and/or gauge sheets (which value shall be computed using the Index Price without differentials for transportation, gravity, quality, basis or location), less any applicable severance Taxes, royalties and similar burdens; *provided, however*, that the adjustment contemplated by this paragraph shall be only made to the extent that Seller does not receive and retain the proceeds, or portion thereof, attributable to the sale of such Hydrocarbons;

(h) Increased by (i) the amount of all Property Costs and other costs attributable to the ownership, development, operation and maintenance of the Assets that are paid by Seller and incurred on or after the Effective Time (or with respect to any period on or after the Effective Time) including any costs with respect to the Gas Plants but excepting any Property Costs and other such costs already deducted in the determination of proceeds in Section 2.2(a) and (ii) the amount of any proceeds with respect to the Gas Plants which are attributable to the period of time prior to the Effective Time and received and retained by Purchaser, including any revenues from the gathering, transporting, processing or fractionation of Hydrocarbons or other similar processes or activities performed at or in connection with the Gas Plants attributable to the period of time prior to the Effective Time;

(i) Increased by an amount equal to the value of Imbalances owed to Seller as of the Effective Time and decreased by an amount equal to the value of Imbalances owed by Seller as of the Effective Time, in each case with the value to be based on \$4.49 per MMBTU and \$103.07 per barrel;

(j) Decreased in accordance with Section 7.10, as applicable.

The adjustment described in Section 2.2(a) shall serve to satisfy, up to the amount of the adjustment, Purchaser's entitlement under Section 1.4 to Hydrocarbon production from or attributable to the Properties during the Adjustment Period, and to the value of other income, proceeds, receipts and credits earned with respect to the Assets during the Adjustment Period, and Purchaser shall not have any separate rights to receive any production or income, proceeds, receipts and credits with respect to which an adjustment has been made.

Section 2.3 **Allocation of Purchase Price.**

Concurrent with the execution of this Agreement, Purchaser and Seller will agree upon an allocation of the purchase price for the Assets (as determined for applicable Tax purposes) among each of the Assets, in compliance with the principles of Section 1060 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and the Treasury regulations thereunder. Such allocation of value shall be attached to this Agreement as Schedule 2.3. The "**Allocated Value**" for any Asset equals the portion of such purchase price allocated to such Asset on Schedule 2.3, increased or decreased as described in Section 2.2. Except to the extent attributable to any specific Assets, any adjustments to the Purchase Price (including any indemnification payment treated as an adjustment to the purchase price for Tax purposes) other than the adjustments provided for in Sections 2.2(b), 2.2(c), 2.2(d), 2.2(e) and 2.2(f) shall, to the extent permitted by Section 1060 of the Code, be applied on a pro rata basis in proportion to the amounts set forth on Schedule 2.3 for all Assets for applicable Tax purposes only. After all such adjustments are made, any adjustments to the Purchase Price pursuant to Sections 2.2(b), 2.2(c), 2.2(d), 2.2(e) and 2.2(f) and any adjustments attributable to any specific Assets shall be applied to the amounts set forth in Schedule 2.3 for the particular affected Assets. After Seller and Purchaser have agreed on the Allocated Values for the Assets, Seller will be deemed to have accepted such Allocated Values for purposes of this Agreement and the transactions contemplated hereby, but otherwise makes no representation or warranty as to the accuracy of such values. Seller and Purchaser agree (i) that the Allocated Values, as adjusted pursuant to this paragraph, shall be used by Seller and Purchaser as the basis for reporting asset

values and other items for purposes of all federal, state, and local Tax Returns, including Internal Revenue Service Form 8594 and (ii) that, except as required by applicable Law, neither they nor their Affiliates will take positions inconsistent with the Allocated Values (as adjusted pursuant to this paragraph) in any Tax Returns, in notices to Governmental Bodies, in audit or other proceedings with respect to Taxes, in notices to preferential purchase right holders, or in other documents or notices relating to the transactions contemplated by this Agreement without the consent of the other party hereto. Each party hereto shall promptly notify the other party in writing upon receipt of notice of any pending or threatened Tax audit or assessment challenging the Allocated Values, and neither party shall agree to any proposed adjustment to the Allocated Values by any Governmental Body without first giving to the other party prior written notice. However, nothing contained herein shall prevent either party from settling any proposed deficiency or adjustment by any Governmental Body based upon or arising out of the Allocated Values, and neither party shall be required to litigate any proposed deficiency or adjustment by any Governmental Body challenging such Allocated Values. Purchaser and Seller further agree that, on or before the Closing Date, they will mutually agree as to the further allocation of the Allocated Values included in Schedule 2.3 as to the relative portion of those values attributable to leasehold costs and depreciable equipment.

Section 2.4 **Deposit.**

Concurrently with the execution of this Agreement, Purchaser has paid to Seller an earnest money deposit in an amount equal to ten percent (10%) of the Purchase Price (the “**Deposit**”). The Deposit shall be non-interest bearing and applied against the Purchase Price if the Closing occurs or shall be otherwise distributed in accordance with the terms of this Agreement.

ARTICLE 3

TITLE MATTERS

Section 3.1 **Seller’s Title.**

(a) This Article 3 and the Special Warranty in the Conveyance (subject to Section 7.9) shall, to the fullest extent permitted by applicable Law, be the exclusive right and remedy of Purchaser with respect to title to the Assets.

(b) The conveyance of the Assets to be delivered by Seller to Purchaser shall be substantially in the form of Exhibit B (the “**Conveyance**”).

Section 3.2 **Certain Definitions.**

(a) As used in this Agreement, the term “**Defensible Title**” means that title of Seller which:

(i) Entitles Seller to receive a share of the Hydrocarbons that may be produced, saved and marketed from the currently producing zone of any Unit or Well or such other zone as expressly identified on Schedule 2.3 for any PDBP location (set forth therein), PUD location (set forth therein), Unit or Well, as applicable (in

each case after satisfaction of all third-party royalties, overriding royalties, nonparticipating royalties, net profits interests or other similar burdens on or measured by production of Hydrocarbons) (a “**Net Revenue Interest**”), of not less than the “Net Revenue Interest” or “NRI” share identified on Schedule 2.3 for such PDBP location, PUD location, Unit or Well, as applicable, except for decreases in connection with those operations permitted under Section 7.5 in which Seller may after the Effective Time be a non-consenting party, decreases resulting from the election to ratify or the establishment or amendment of pools or units on or after the Effective Time, decreases required to allow other working interest owners to make up past underproduction or pipelines to make up past under deliveries, and decreases resulting from reversionary interests, carried interests, horizontal or vertical severances or other matters or changes in interest stated in Schedule 2.3;

(ii) Obligates Seller to bear a percentage of the costs and expenses for the maintenance and development of, and operations relating to, any PDBP location, PUD location, Unit or Well, as applicable, not greater than the “working interest” or “GWP” shown in Schedule 2.3 without increase, except increases resulting from matters stated in Schedule 2.3, increases resulting from contribution requirements with respect to defaulting parties under applicable operating, unit, pooling, pre-pooling or similar agreements and increases that are accompanied by at least a proportionate increase in Seller’s Net Revenue Interest; and

(iii) Is free and clear of liens and encumbrances;

in each case excluding, subject to and determined without regard to matters constituting Permitted Encumbrances.

(b) As used in this Agreement, the term “**Title Benefit**” shall mean any right, circumstance or condition that operates to increase the Net Revenue Interest of Seller in any Wells or Units above that shown on Schedule 2.3, without causing a greater than proportionate increase in Seller’s working interest above that shown in Schedule 2.3.

(c) As used in this Agreement, the term “**Title Defect**” shall mean any lien, encumbrance, obligation or defect that causes Seller’s title to any Leases, Wells or Units shown on Exhibits A and A-1 to be less than Defensible Title; *provided* that “Title Defect” shall exclude the following:

(i) defects based solely on a lack of information in Seller’s files or references to a document if such document is not in Seller’s files;

(ii) defects arising out of lack of corporate or other entity authorization unless Purchaser provides affirmative evidence that the action was not authorized and results in another Person’s superior claim of title to the relevant Asset;

(iii) defects in the chain of title consisting of the failure to recite marital status in a document or omissions of successions of heirship or estate proceedings,

unless Purchaser provides affirmative evidence that such failure or omission could reasonably be expected to result in another Person's superior claim of title to the relevant Asset;

(iv) defects that have been cured by applicable Laws of limitation or prescription;

(v) defects arising out of a lack of survey, unless a survey is expressly required by applicable Laws; and

(vi) defects based on a gap in Seller's chain of title in the applicable county or parish records, unless such gap is affirmatively shown to exist in such records by an abstract of title, title opinion or landman's title chain which documents shall be included in a Title Defect Notice;

(vii) defects based upon the failure to record any state or federal Leases or rights-of-way included in the Assets or any assignments of interests in such Leases or rights-of-way included in the Assets in any applicable county or parish records;

(viii) any encumbrance or loss of title resulting from Seller's conduct of business in compliance with this Agreement;

(ix) encumbrances created under deeds of trust, mortgages and similar instruments by the lessor under a Lease covering the lessor's surface and mineral interests in the land covered thereby that would customarily be accepted in taking or purchasing such Leases and for which the lessee would not customarily seek a subordination of such encumbrance to the oil and gas leasehold estate prior to conducting drilling activities on the Lease;

(x) encumbrances created under deeds of trust, mortgages and similar instruments by the grantor under a right-of-way that would customarily be accepted in taking or purchasing such rights-of-way; and

(xi) defects disclosed herein (including on any Schedule or Exhibit).

Section 3.3 **Definition of Permitted Encumbrances.**

As used herein, the term "**Permitted Encumbrances**" means any or all of the following:

(a) Royalties, nonparticipating royalty interests, net profits interests and any overriding royalties, reversionary interests and other burdens to the extent that they do not, individually or in the aggregate, reduce Seller's Net Revenue Interest below that shown in Schedule 2.3 or increase Seller's working interest above that shown in Schedule 2.3 without a corresponding increase in the Net Revenue Interest;

(b) All leases, unit agreements, pooling agreements, pre-pooling agreements, operating agreements, production sales contracts, division orders and other contracts,

agreements and instruments applicable to the Assets, to the extent that they do not, individually or in the aggregate: (i) reduce Seller's Net Revenue Interest below that shown in Schedule 2.3 or increase Seller's working interest above that shown in Schedule 2.3 without a corresponding increase in the Net Revenue Interest and (ii) materially interfere with the ownership and operation of the Assets as currently owned and operated;

(c) Subject to compliance with Sections 3.5 and 7.7, third party consents and preferential rights to purchase the Assets applicable to this or a future transaction involving the Assets;

(d) Third-party consent requirements and similar restrictions with respect to which waivers or consents are obtained by Seller from the appropriate parties prior to the Closing Date or the appropriate time period for asserting the right has expired or which need not be satisfied prior to a transfer;

(e) Liens for Taxes or assessments not yet delinquent or, if delinquent, being contested in good faith by appropriate actions;

(f) Materialman's, mechanic's, repairman's, employee's, contractor's, operator's and other similar liens or charges arising in the ordinary course of business for amounts not yet delinquent (including any amounts being withheld as provided by Law), or if delinquent, being contested in good faith by appropriate actions;

(g) All rights to consent, required notices to, filings with, or other actions by Governmental Bodies in connection with the sale or conveyance of the Assets if they are not required prior to the sale or conveyance or are of a type customarily obtained after Closing;

(h) Rights of reassignment arising upon final intention to abandon or release all or any part of the Assets;

(i) Easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations to the extent that they do not, individually or in the aggregate: (i) reduce Seller's Net Revenue Interest below that shown in Schedule 2.3 or increase Seller's working interest above that shown in Schedule 2.3 without a corresponding increase in Net Revenue Interest and (ii) materially interfere with the ownership and operation of the Assets as currently owned and operated;

(j) Calls on Hydrocarbon production under existing Contracts;

(k) All rights reserved to or vested in any Governmental Body to control or regulate any of the Assets in any manner and all obligations and duties under all applicable Laws, rules and orders of any such Governmental Body or under any franchise, grant, license or permit issued by any such Governmental Body;

(l) Any encumbrance on or affecting the Assets which is expressly assumed, bonded or paid by Purchaser at or prior to Closing or which is discharged by Seller at or prior to Closing;

(m) Any matters shown on Exhibit A-1;

(n) Any matters shown on Schedule 5.7 or Schedule 3.3(n);

(o) Imbalances associated with the Assets;

(p) In the case of any well on an undeveloped location or other operation that has not been commenced as of the Closing Date, any permits, easements, rights of way, unit designations or production or drilling units not yet obtained, formed or created;

(q) Lack of rights, access or transportation as to any rights of way for gathering or transportation pipelines or facilities that do not constitute any of the Assets; or

(r) Any liens, charges, encumbrances, defects or irregularities (i) which would be accepted by a reasonably prudent purchaser engaged in the business of owning and operating oil and gas properties or (ii) which do not, individually or in the aggregate, materially detract from the value of or materially interfere with the ownership and operation of the Assets subject thereto or affected thereby (as currently owned and operated), and do not reduce Seller's Net Revenue Interest below that shown in Schedule 2.3, or increase Seller's working interest above that shown in Schedule 2.3 without a corresponding increase in the Net Revenue Interest.

Section 3.4 **Notice of Title Defects Defect Adjustments.**

(a) To assert a Title Defect, Purchaser must deliver claim notices to Seller (each a "**Title Defect Notice**") on or before the date that is thirty (30) days from the date hereof (the "**Title Claim Date**"), except as otherwise provided under Sections 3.5 or 3.6. Each Title Defect Notice shall be in writing and shall include (i) a description of the alleged Title Defect(s), (ii) the Leases, Units or Wells affected by the Title Defect (each a "**Title Defect Property**"), (iii) the Allocated Values of each Title Defect Property, (iv) supporting documents reasonably necessary for Seller (as well as any title attorney or examiner hired by Seller) to verify the existence of the alleged Title Defect(s) and (v) the amount by which Purchaser reasonably believes the Allocated Values of each Title Defect Property are reduced by the alleged Title Defect(s) and the computations and information upon which Purchaser's belief is based. Subject to Section 7.9, Purchaser shall be deemed to have waived for all purposes hereunder all Title Defects that were not included in a Title Defect Notice delivered to Seller on or before the Title Claim Date. To give Seller an opportunity to commence reviewing and curing alleged Title Defects, Purchaser agrees to provide Seller, on or before the end of each calendar week prior to the Title Claim Date, written notices of all Title Defects discovered by Purchaser during the preceding calendar week, which notice may be preliminary in nature and supplemented prior to the Title Claim Date. Purchaser shall also promptly furnish Seller with written notice of any Title Defect that is discovered by any of

Purchaser's representatives, title attorneys, landmen or other title examiners while conducting Purchaser's due diligence with respect to the Assets prior to the Title Claim Date.

(b) Seller shall have the right, but not the obligation, to deliver to Purchaser with respect to each Title Benefit a written notice (a "**Title Benefit Notice**") asserting such Title Benefit on or before the Title Claim Date. Each Title Benefit Notice shall include (i) a description of the Title Benefit(s), (ii) the Leases, Units or Wells affected by the Title Benefit (each a "**Title Benefit Property**"), (iii) the Allocated Values of the Title Benefit Property, (iv) supporting documents reasonably necessary for Purchaser (as well as any title attorney or examiner hired by Purchaser) to verify the existence of the alleged Title Benefit(s) and (v) the amount by which Seller reasonably believes the Allocated Values of those Units or Wells are increased by the Title Benefit, and the computations and information upon which Seller's belief is based. Seller shall be deemed to have waived for all purposes hereunder all Title Benefits that were not included in a Title Benefit Notice delivered to Purchaser on or before the Title Claim Date.

(c) Seller shall have the right, but not the obligation, upon delivering written notice to Purchaser, to attempt, at its sole cost, to cure or remove any Title Defects of which it has been advised by Purchaser on or before the expiration of sixty (60) days counted from and after the Title Claim Date (the "**Cure Period**"), unless the parties otherwise agree. If Seller has provided notice at or prior to the Closing Date of Seller's intent to attempt to cure a Title Defect within the Cure Period, there shall be no reduction to the Purchase Price with respect to the Title Defect for purposes of Closing. If at the end of the Cure Period the Title Defect is not cured as agreed by Seller and Purchaser or if Seller and Purchaser cannot agree, and it is determined by the Title Arbitrator that such Title Defect is not cured at the end of the Cure Period, Seller shall elect one of the options set forth in Section 3.4(d)(i), or 3.4(d)(ii)(B) for such Title Defect, in which event the Purchase Price adjustment required in connection with the selected option under this Article 3 shall be made in the final statement of the Adjusted Purchase Price pursuant to Section 9.4(b). No action of Seller in electing or attempting to cure a Title Defect shall constitute a waiver of Seller's right to dispute the existence, nature or value of, or cost to cure, the Title Defect.

(d) In the event that (I) any Title Defect asserted by Purchaser in accordance with Section 3.4(a) is not waived by Purchaser and (II) Seller has not provided notice to Purchaser at or prior to the Closing Date of Seller's intent to attempt to cure the given Title Defect, or Seller has provided such notice but the Title Defect is not cured before the expiration of the Cure Period, then Seller shall, at its sole election, elect to:

(i) reduce the Purchase Price by the Title Defect Amount determined pursuant to Section 3.4(f) or 3.4(h);

(ii) (A) at Closing, retain the Property that is associated with such Title Defect, in which event the Purchase Price shall be reduced by an amount equal to the Allocated Value of such Property or (B) promptly after expiration of the Cure Period have Purchaser reconvey the Property that is associated with such Title Defect

to Seller, in which event the Purchase Price shall be reduced by an amount equal to the Allocated Value of such Property, adjusted as provided in Section 2.2; or

(iii) if applicable, terminate this Agreement pursuant to Article 10.

(e) Remedies for Title Benefits. In the event that any Title Benefit asserted by Seller in accordance with Section 3.4(b) is not waived by Seller, then:

(i) to the extent Purchaser and Seller agree on the Title Benefit Amount as calculated pursuant to Section 3.4(g), the Purchase Price shall be increased by such amount; and

(ii) to the extent there is no agreement under Section 3.4(e)(i) on or before the Closing Date, the disagreement between Seller and Purchaser regarding the Title Benefit Property or the Title Benefit Amount, as applicable, shall be submitted to arbitration in accordance with Section 3.4(h).

(f) The “**Title Defect Amount**” resulting from a Title Defect shall be determined as follows:

(i) if Purchaser and Seller agree on the Title Defect Amount, then that amount shall be the Title Defect Amount;

(ii) if the Title Defect is a lien, encumbrance or other charge which is undisputed and liquidated in amount, then the Title Defect Amount shall be the amount necessary to be paid to remove the Title Defect from the Title Defect Property;

(iii) if the Title Defect represents a discrepancy between (A) the Net Revenue Interest for any Title Defect Property and (B) the Net Revenue Interest as identified on Schedule 2.3, then the Title Defect Amount shall be the product of the Allocated Value of such Title Defect Property multiplied by a fraction, the numerator of which is the actual amount of the decrease in Net Revenue Interest from that identified on Schedule 2.3 and the denominator of which is the Net Revenue Interest as identified on Schedule 2.3; *provided, however*, that if the Title Defect does not affect the Title Defect Property throughout its entire life, the Title Defect Amount shall be reduced to take into account the applicable time period only;

(iv) if the Title Defect represents an obligation, encumbrance, burden or charge upon or other defect in title to the Title Defect Property of a type not described in subsections (i), (ii) or (iii) above, then the Title Defect Amount shall be determined by taking into account the Allocated Value of the Title Defect Property, the portion of the Title Defect Property affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the life of the Title Defect Property, the values placed upon the Title Defect by Purchaser and Seller and such other factors as are necessary to make a proper evaluation;

(v) if the Title Defect represents (I) a discrepancy between (A) the Net Revenue Interest for any Title Defect Property and (B) the Net Revenue Interest as identified on Schedule 2.3, and (II) an obligation, encumbrance, burden or charge upon or other defect in title to the Title Defect Property, then the Title Defect Amount shall be determined by applying both of subsections (iii) and (iv) to such Title Defect, without duplication; and

(vi) notwithstanding anything to the contrary in this Article 3, the aggregate Title Defect Amounts attributable to the effects of all Title Defects upon any Title Defect Property shall not exceed the Allocated Value of such Title Defect Property.

(g) The “**Title Benefit Amount**” resulting from a Title Benefit shall be the product of the Allocated Value of the Title Benefit Property multiplied by a fraction, the numerator of which is the actual amount of the increase in Net Revenue Interest from that identified on Schedule 2.3 and the denominator of which is the Net Revenue Interest identified on Schedule 2.3; *provided, however*, that if the Title Benefit does not affect the applicable Title Benefit Property throughout its entire life, the Title Benefit Amount shall be reduced to take into account the applicable time period only; *provided further*, that notwithstanding anything herein to the contrary, (i) in no event shall there be any adjustments to the Purchase Price for any individual Title Benefit for which the Title Benefit Amount does not exceed the Individual Defect Deductible (as defined below), and (ii) in no event shall there be any adjustments to the Purchase Price for Title Benefits unless the sum of the aggregate amount of all Title Benefit Amounts that exceed the Individual Defect Deductible, exceeds the Defect Deductible (as defined below), after which point Seller shall be entitled to adjustments to the Purchase Price or other available remedies under this Article 3 with respect to all Title Benefits in excess of the Individual Defect Deductible.

(h) With respect to Title Defect Notices and Title Benefit Notices provided and received on or before the Title Claim Date, Seller and Purchaser shall attempt to agree on all Title Defects, Title Benefits, Title Defect Amounts and Title Benefit Amounts on or before the day before the Closing Date, subject to Seller’s rights under Section 3.4(d)(ii). If Seller and Purchaser are unable to agree by that date, then subject to Section 3.4(c) and Seller’s rights under Section 3.4(d)(ii), Seller’s good faith estimate shall be used for purposes of calculating the Closing Payment pursuant to Section 9.4(a), and the Title Defects, Title Benefits, Title Defect Amounts and Title Benefit Amounts in dispute shall be exclusively and finally resolved by arbitration pursuant to this Section 3.4(h). Likewise, if Seller has provided notice at or prior to the Closing Date of Seller’s intent to attempt to cure a Title Defect and by the end of the Cure Period, Seller and Purchaser have been unable to agree upon whether such Title Defect has been cured, or Seller has failed to cure any Title Defects which it provided notice that it would attempt to cure and Seller and Purchaser have been unable to agree on the Title Defect Amounts for such Title Defects, then the cure and/or Title Defect Amounts and Title Benefit Amounts in dispute shall be exclusively and finally resolved by arbitration pursuant to this Section 3.4(h), subject to Seller’s right under Section 3.4(d)(ii). There shall be a single arbitrator, who shall be a title attorney with at least ten

(10) years' experience in oil and gas titles in the State of where the majority (as calculated based upon the Allocated Values of the Properties) of the affected Properties are located (as calculated based upon the Allocated Values of the Properties) as selected by mutual agreement of Purchaser and Seller within fifteen (15) days after the end of the Cure Period (or such other time as mutually agreed) and absent such agreement on the selection of the arbitrator, the arbitrator shall be selected by the Dallas, Texas office of the American Arbitration Association; provided, however, that in any case such attorney shall not have worked as an employee of or outside counsel for either Seller or Purchaser or any of their Affiliates during the 5-year period preceding the applicable arbitration or have any financial interest in the applicable dispute (such attorney, the "**Title Arbitrator**"). The arbitration proceeding shall be held in Dallas, Texas and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, to the extent such rules do not conflict with the terms of this Section. The Title Arbitrator's determination shall be made within twenty (20) days after submission of the matters in dispute and shall be final and binding upon both parties, without right of appeal. In making his determination, the Title Arbitrator shall be bound by the rules set forth in Sections 3.4(a), 3.4(b), 3.4(c), 3.4(d), 3.4(e), 3.4(f), 3.4(g) and 3.4(i) and may consider such other matters as in the opinion of the Title Arbitrator are necessary or helpful to make a proper determination. Additionally, the Title Arbitrator may consult with and engage disinterested third parties to advise the arbitrator, including petroleum engineers. The Title Arbitrator shall act as an expert for the limited purpose of determining the specific disputed Title Defects, Title Benefits, Title Defect Amounts and Title Benefit Amounts submitted by either party hereto and may not award damages, interest or penalties to either party hereto with respect to any matter. Seller and Purchaser shall each bear its own legal fees and other costs of presenting its case. Each party hereto shall bear one-half of the costs and expenses of the Title Arbitrator.

(i) Notwithstanding anything herein to the contrary, (y) in no event shall there be any adjustments to the Purchase Price or other remedies provided by Seller for any individual Title Defect for which the Title Defect Amount does not exceed Fifty-five Thousand Dollars (\$55,000) (the "**Individual Defect Deductible**"); and (z) in no event shall there be any adjustments to the Purchase Price or other remedies provided by Seller for Title Defects unless the sum of (I) the aggregate amount of all Title Defect Amounts for Title Defects covered by Section 3.4(d)(i) that exceed the Individual Defect Deductible, plus (II) the aggregate amount of all Environmental Liabilities covered by Section 4.4(a) that exceed the Individual Defect Deductible, exceeds a deductible in an amount equal to two percent (2%) of the Purchase Price (the "**Defect Deductible**"), after which point Purchaser shall be entitled to adjustments to the Purchase Price or other available remedies under this Article 3 with respect to all Title Defects in excess of the Defect Deductible, subject to the Individual Defect Deductible and Seller's elections under Section 3.4(d). The provisions of this Section 3.4(i) shall not apply to Title Defects relating to consent to assignment and preferential rights to purchase which shall be handled or treated under Section 3.5. The Allocated Value of any Property retained by Seller in accordance with Section 3.4(d)(ii) may not be used in meeting the Defect Deductible.

Section 3.5 Consents to Assignment and Preferential Rights to Purchase.

Seller shall use commercially reasonable efforts to promptly prepare and send (i) notices to the holders of any required consents to assignment of any Assets to request such consents and (ii) notices to the holders of any applicable preferential rights to purchase any Asset requesting waivers of such preferential rights to purchase, in each case of which Seller has knowledge. The consideration payable under this Agreement for any particular Assets for purposes of preferential purchase right notices shall be the Allocated Value for such Assets. Seller shall use commercially reasonable efforts to cause such consents and waivers of preferential rights to purchase (or the exercise thereof) to be obtained and delivered prior to Closing. Purchaser shall cooperate with Seller in seeking to obtain such consents to assignment and waivers of preferential rights. Notwithstanding anything contained herein to the contrary, Seller shall have no liability for failure to obtain such notices.

(a) Consents. Seller shall notify Purchaser in writing at least five (5) Business Days prior to Closing of all required third-party consents to the assignment of the Assets to Purchaser which have not been obtained and the Assets to which they pertain. In no event shall there be included in the Conveyances at Closing any Asset subject to a consent requirement that provides that transfer of the Asset without consent will result in a termination or other material impairment of any rights in relation to such Asset (such consent, a “**Required Consent**”). In cases where the Asset subject to such a Required Consent is a Contract and Purchaser is assigned the Properties to which the Contract relates, but the Contract is not transferred to Purchaser due to the unwaived consent requirement, Seller shall continue after Closing to use commercially reasonable efforts to obtain such consent so that such Contract can be transferred to Purchaser upon receipt of such consent. In cases where the Asset subject to such a Required Consent is a Property and the third-party consent to the sale and transfer of the Property is not obtained prior to the Closing Date, Purchaser may elect to treat the unsatisfied Required Consent as a Title Defect by giving Seller notice thereof in accordance with Section 3.4(a), except that such notice must be given at least three (3) Business Days prior to the Closing Date; *provided, however*, the Allocated Value for such Property may not be used in meeting the Defect Deductible, and Seller may elect to cure such unsatisfied consent under Section 3.4(c), in which event the provisions of Section 3.4(c) shall apply (provided the affected Asset shall be excluded from the Assets for purposes of Closing (unless otherwise agreed by Seller and Purchaser)). If an unsatisfied Required Consent with respect to which a Purchase Price adjustment is made under Section 3.4 is subsequently satisfied prior to the date of the final adjustment to the Purchase Price under Section 9.4(b), Seller shall receive an additional upward adjustment to the Purchase Price in the final adjustments made under Section 9.4(b) equal to the amount of the previous reduction in the Purchase Price on account of such Required Consent and the provisions of this Section 3.5 shall no longer apply except for the assignment made under the next sentence. Within two days of the date on which the final statement of the Adjusted Purchase Price is finally determined, whether by agreement between Seller and Purchaser or the determination of an Independent Expert under Section 9.4(b) (or both), Seller shall assign to Purchaser using the form attached as Exhibit B, to the extent previously unassigned, each Property subject to a Required Consent that was subsequently satisfied prior to the date of the final adjustment of the Purchase Price under Section 9.4(b).

(b) Exercised Preferential Rights to Purchase. If any preferential right to purchase any Property is exercised prior to Closing, the Property transferred to a third party as a result of the exercise of such preferential right shall be treated as if it was subject to a Title Defect resulting in the complete loss of title and the Purchase Price shall be reduced under Section 2.2(b) by the Allocated Value for such Property (proportionately reduced if the preferential right affects only a portion of such Property). Seller shall retain the consideration paid by the third party pursuant to the exercise of such preferential right; provided, however, the adjustment made under this Section 3.5(b) for such Property may not be used in meeting the Defect Deductible.

Section 3.6 Casualty or Condemnation Loss.

Subject to the provisions of Sections 8.1(e) and 8.2(e), if, after the date of this Agreement but prior to the Closing Date, any portion of the Assets is destroyed by fire or other casualty or is taken in condemnation or under right of eminent domain, and the loss as a result of such individual casualty or taking exceeds Seventy-five Thousand Dollars (\$75,000), Seller shall elect by written notice to Purchaser prior to Closing either (i) to cause the Assets affected by any casualty to be repaired or restored prior to Closing to at least its condition prior to such casualty, at Seller's sole cost (without an adjustment to the Purchase Price pursuant to Section 2.2 or otherwise), as promptly as reasonably practicable (which work may extend after the Closing Date), or (ii) unless such casualty or taking is waived by Purchaser, to exclude the affected Property from the Assets and reduce the Purchase Price by the Allocated Value thereof; provided, however, that any adjustment to the Purchase Price pursuant to this Section 3.6 may not be used in meeting the Defect Deductible. In each case, Seller shall retain all rights to insurance and other claims against third parties with respect to the casualty or taking except to the extent the parties otherwise agree in writing.

Section 3.7 Limitations on Applicability.

The rights of Purchaser under Section 3.1(a) and Section 3.4(a) shall terminate as of the Title Claim Date and be of no further force and effect thereafter, provided there shall be no termination of Purchaser's or Seller's rights under Section 3.4 with respect to any bona fide Title Defect properly reported in a Title Defect Notice or bona fide Title Benefit properly reported in a Title Benefit Notice on or before the Title Claim Date. Except as provided in this Article 3 and for the Special Warranty in the Conveyance (subject to Section 7.9), Purchaser releases, remises and forever discharges the Seller Indemnitees from any and all suits, legal or administrative proceedings, claims, demands, damages, losses, costs, liabilities, interest or causes of action whatsoever, in Law or in equity, known or unknown, which Purchaser might now or subsequently may have, based on, relating to or arising out of, any Title Defect or other deficiency in or encumbrance on title to any Asset.

ARTICLE 4

ENVIRONMENTAL MATTERS

Section 4.1 Assessment.

Subject to the limitations set forth herein and in Section 7.1, Purchaser may, at its option, cause, or cause to be conducted by a reputable environmental consulting or engineering firm approved in advance in writing by Seller, which approval will not be unreasonably withheld, conditioned or delayed (the “**Environmental Consultant**”) an environmental assessment of all or any portion of the Assets and/or visual inspections, record reviews, and interviews relating to the Properties, including their condition and their compliance with Environmental Laws (the “**Assessment**”). The Assessment shall be conducted at the sole risk, cost and expense of Purchaser, and all of Purchaser’s and the Environmental Consultant’s activity conducted under this Section 4.1 and Section 7.1 shall be subject to the indemnity provisions of Section 7.6. Purchaser’s right of access shall not entitle Purchaser or the Environmental Consultant to operate equipment or conduct testing or sampling. Seller has the right to be present during any activities conducted on the Assets as part of the Assessment. Purchaser shall coordinate its Assessment with Seller to minimize any inconvenience to or interruption of the conduct of business by Seller. Purchaser shall abide by Seller’s, and any third party operator’s, safety rules, regulations and operating policies while conducting its due diligence evaluation of the Assets including the Assessment. Purchaser shall promptly provide, but not later than the Environmental Claim Date, copies of all reports, results, and other documentation and data prepared or compiled by Purchaser and/or any of its representatives or agents in connection with the Assessment. Seller shall not be deemed by its receipt of said documents or otherwise to have made any representation or warranty, expressed, implied or statutory, as to the condition of the Assets or the accuracy of said documents or the information contained therein. During all periods that Purchaser or any of its representatives are on the Assets, Purchaser shall maintain, at its sole expense and with reputable insurers, such insurance as is reasonably sufficient to support Purchaser’s indemnity obligations under Section 7.6.

Section 4.2 **NORM**.

Purchaser acknowledges the following:

- (a) The Assets have been used for exploration, development, and production of oil and gas and that there may be petroleum, produced water, wastes, or other materials located on or under the Properties or associated with the Assets.
- (b) Equipment and sites included in the Assets may contain asbestos, hazardous substances, or NORM.
- (c) NORM may affix or attach itself to the inside of wells, materials, and equipment as scale, or in other forms.
- (d) The wells, materials, and equipment located on the Properties or included in the Assets may contain NORM and other wastes or hazardous substances.
- (e) NORM containing material and other wastes or hazardous substances may have come in contact with the soil.

(f) Special procedures may be required for the remediation, removal, transportation, or disposal of soil, wastes, asbestos, hazardous substances, and NORM from the Assets.

Section 4.3 **Notice of Violations of Environmental Laws.**

Purchaser shall deliver any claim notices to Seller in writing (an “**Environmental Defect Notice**”), on or before thirty (30) days from the date hereof (the “**Environmental Claim Date**”), of each individual environmental matter disclosed by the Assessment that Purchaser reasonably believes in good faith may constitute or result in (including with notice or solely with the passage of time) Environmental Liabilities for which the Lowest Cost Response to address the matter exceeds the Individual Defect Deductible, including in the Environmental Defect Notice (i) a reasonably detailed description of the specific matter that is an alleged violation of Environmental Laws, including (A) the written conclusion of Purchaser or Purchaser’s Environmental Consultant that Environmental Liabilities exist, which conclusion shall be reasonably substantiated by the factual data gathered in Purchaser’s Assessment and (B) a separate specific citation of the provisions of Environmental Laws alleged to be violated and the related facts that substantiate such violation; (ii) the Units, Wells or associated Assets affected; (iii) a detailed estimate of the Lowest Cost Response to cure or eliminate the alleged matter in question; and (iv) supporting documents reasonably necessary for Seller (as well as any consultant, inspector or expert hired by Seller) to verify the existence of the facts alleged in the Environmental Defect Notice. The failure of an Environmental Defect Notice to contain the information required by item nos. (i) through (iv) of the prior sentence on or prior to the Environmental Claim Date shall not render such notice ineffective if the defect notice is reasonably sufficient to provide notice to Seller of the existence and general nature of the alleged Environmental Defect. Purchaser shall furnish Seller, on or before the end of each calendar week prior to the Environmental Claim Date, Environmental Defect Notices with respect to any Environmental Defect that any of Purchaser’s or any of its Affiliate’s employees, representatives, attorney or other environmental personnel or contractors, including the Environmental Consultant, discover or become aware of during the preceding calendar week, which notice may be preliminary in nature and supplemented prior to the Environmental Claim Date.

Section 4.4 **Remedies for Violations of Environmental Laws.**

If Seller confirms to its reasonable satisfaction that any individual matter described in an Environmental Defect Notice delivered pursuant to Section 4.3 may constitute or result in Environmental Liabilities for which the Lowest Cost Response to address the matter exceeds the Individual Defect Deductible, then Seller shall, at its sole election, elect to:

- (a) reduce the Purchase Price by an amount agreed upon in writing by Purchaser and Seller as being a reasonable estimate of the cost of curing the matter described in such Environmental Defect Notice;
- (b) retain the Property that is associated with such Environmental Defect Notice and affected by such matter, in which event the Purchase Price shall be reduced by an amount equal to the Allocated Value of such Property;

(c) perform or cause to be performed prior to Closing, at the sole cost and expense of Seller, such operations as may be necessary to bring such affected Property into compliance with the applicable Environmental Law disclosed in such Environmental Defect Notice;

(d) enter into an agreement with Purchaser whereby Seller will as soon as reasonably practicable after Closing, at the sole cost and expense of Seller, perform or cause to be performed such operations as may be necessary to bring such affected Property into compliance with the applicable Environmental Law disclosed in such Environmental Defect Notice;

(e) indemnify Purchaser against all Damages resulting from such Environmental Defect pursuant to an indemnity agreement in a form reasonably agreeable to Seller and Purchaser which shall be assignable by Seller upon a sale or transfer of the Assets subject to such agreement to a third party; *provided, that*, under no circumstances shall Seller's aggregate liability thereunder exceed the lesser of either the Allocated Value for the Asset made the subject thereof or the Lowest Cost Response for such Environmental Defect; *provided further, that*, in no event shall the sum of the Environmental Liabilities for all such Properties for which Seller makes an election under this Section 4.4(e) exceed five percent (5%) of the Purchase Price without Purchaser's prior written consent; or

(f) if applicable, terminate this Agreement pursuant to Article 10.

In the event that (i) Seller elects to proceed under Section 4.4(a) and Purchaser and Seller have failed to agree by Closing on the reduction to the Purchase Price (which agreement Seller and Purchaser shall use good faith efforts to reach) or (ii) Purchaser and Seller cannot otherwise agree on the existence, extent or amount of Environmental Liabilities alleged in an Environmental Defect Notice before Closing, Seller shall then proceed with respect to such matter under any of Sections 4.4(b), (c), (d), (e) or (f) or submit such dispute to arbitration pursuant to this Section 4.4. In the event that Seller elects to proceed under Section 4.4(d) and Purchaser and Seller have failed to agree by Closing on the terms of the agreement contemplated thereby (which agreement Seller and Purchaser shall use good faith efforts to reach), Seller shall then proceed with respect to such matter under any of Sections 4.4(b), (c), (e) or (f) or submit such dispute to arbitration pursuant to this Section 4.4.

For all matters submitted to arbitration pursuant to this Section 4.4, there shall be a single arbitrator, who shall be an environmental consultant with at least ten (10) years' relevant experience as selected by mutual agreement of Purchaser and Seller within fifteen (15) days of an election by Seller to submit such dispute to arbitration. Absent such agreement on the selection of the arbitrator, the arbitrator shall be selected by the Dallas, Texas office of the American Arbitration Association (the "**Environmental Arbitrator**"). The arbitration proceeding shall be held in Dallas, Texas and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, to the extent such rules do not conflict with the terms of this Section. The Environmental Arbitrator's determination shall be made within twenty (20) days after submission of the matters in dispute and shall be final and binding upon both parties, without right of appeal. In making his determination, the Environmental Arbitrator shall be bound by the rules set forth in this Article 4

and may consider such other matters as in the opinion of the Environmental Arbitrator are necessary or helpful to make a proper determination. In connection with the determination of a matter submitted to the Environmental Arbitrator Purchaser may not assert any violation of Environmental Law that is not specified by Purchaser in the applicable Environmental Claim Notice. The Environmental Arbitrator shall act as an expert for the limited purpose of determining the specific disputed Environmental Defect or the Lowest Cost Response for such Environmental Defect submitted by Seller and may not award damages, interest or penalties to either party hereto with respect to any matter nor may it award Purchaser a greater amount with respect to the applicable Environmental Defect than the Lowest Cost Response set forth by Purchaser in the applicable Environmental Claim Notice. Seller and Purchaser shall each bear its own legal fees and other costs of presenting its case. Each party hereto shall bear one-half of the costs and expenses of the Environmental Arbitrator. If the validity of any Environmental Defect or the Lowest Cost Response attributable thereto, is not determined prior to Closing by the Environmental Arbitrator pursuant to this Section 4.4, all affected Properties shall be conveyed to Purchaser at Closing and the purchase price paid by Purchaser at Closing shall not be reduced by virtue of such dispute and upon final resolution of such dispute the Lowest Cost Response for such Environmental Defect as determined by the Environmental Arbitrator shall, subject to the terms of this this Section 4.4, be promptly refunded by Seller to Purchaser.

Notwithstanding anything herein to the contrary, (i) in no event shall there be any adjustments to the Purchase Price or other remedies provided by Seller for individual Environmental Liabilities for which the Lowest Cost Response to address same does not exceed the Individual Defect Deductible; and (ii) in no event shall there be any adjustments to the Purchase Price or other remedies provided by Seller for Environmental Liabilities unless and until the sum of (i) the aggregate amount of all Title Defect Amounts for Title Defects covered by Section 3.4(d)(i) that exceed the Individual Defect Deductible, plus (ii) the aggregate amount of all Environmental Liabilities covered by Section 4.4(a) that exceed the Individual Defect Deductible, exceeds the Defect Deductible, after which point Purchaser shall be entitled to adjustments to the Purchase Price or other available remedies under this Section 4.4 with respect to Environmental Liabilities in excess of such Defect Deductible, subject to the Individual Defect Deductible and Seller's elections under this Section 4.4 and the last sentence of this Section 4.4. The Allocated Value of any Property (or affected portion thereof) retained by Seller in accordance with Section 4.4(b) may not be used in meeting the Defect Deductible.

Notwithstanding anything to the contrary in this Article 4, there shall be no adjustment to the Purchase Price under this Agreement for Environmental Liabilities affecting a Property to the extent such Environmental Liabilities exceed the Allocated Value of the Property.

Section 4.5 **Limitations**.

Notwithstanding anything to the contrary in this Agreement, except for the indemnity provided under Section 11.2(c) as it relates to breaches of the representation in Section 5.15, this Article 4 is intended to be the sole and exclusive remedy that Purchaser Indemnitees shall have against Seller Indemnitees with respect to any matter or circumstance relating to Environmental Laws, the release of materials into the environment or protection of the environment or health.

Except to the limited extent necessary to enforce the terms of this Article 4 and the indemnity provided under Section 11.2(c) as it relates to breaches of the representation in Section 5.15, Purchaser (on behalf of itself, each of the other Purchaser Indemnitees and their respective insurers and successors in interest) hereby releases and discharges any and all claims and remedies at Law or in equity, known or unknown, whether now existing or arising in the future, contingent or otherwise, against the Seller Indemnitees with respect to any matter or circumstance relating to Environmental Laws, Environmental Liabilities, the release or threatened release of materials into the environment or protection of the environment, natural resources, threatened or endangered species, or health **EVEN IF SUCH CLAIMS OR DAMAGES ARE CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT, EXCLUDING WILLFUL MISCONDUCT), STRICT LIABILITY OR OTHER LEGAL FAULT OF SELLER INDEMNITEES**. Except as expressly provided in Section 5.15, Purchaser acknowledges that Seller has not made and will not make any representation or warranty regarding any matter or circumstance relating to Environmental Laws, Environmental Liabilities, the release or threatened release of materials into the environment or protection of the environment, natural resources, threatened or endangered species, or health, and that nothing in Article 5 or otherwise shall be construed as such a representation or warranty.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF SELLER

Section 5.1 Disclaimers.

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN ARTICLE 5 OF THIS AGREEMENT OR IN THE CERTIFICATE OF SELLER TO BE DELIVERED PURSUANT TO SECTION 9.2(D), OR FOR THE SPECIAL WARRANTY IN THE CONVEYANCE (SUBJECT TO SECTION 7.9), WITH RESPECT TO THE ASSETS AND THE TRANSACTIONS CONTEMPLATED HEREBY (i) SELLER MAKES NO REPRESENTATIONS OR WARRANTIES, STATUTORY, EXPRESS OR IMPLIED, AND (ii) PURCHASER HAS NOT RELIED UPON, AND SELLER EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR, ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO PURCHASER OR ANY OF ITS AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, MEMBERS, MANAGERS, EQUITY OWNERS, CONSULTANTS, REPRESENTATIVES OR ADVISORS (INCLUDING ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO PURCHASER BY ANY EMPLOYEE, AGENT, OFFICER, DIRECTOR, MEMBER, MANAGER, EQUITY OWNER, CONSULTANT, REPRESENTATIVE OR ADVISOR OF SELLER OR ANY OF ITS AFFILIATES).

(b) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN ARTICLE 5 OR IN THE CERTIFICATE OF SELLER TO BE DELIVERED PURSUANT TO SECTION 9.2(D), OR FOR THE SPECIAL WARRANTY IN THE CONVEYANCE (SUBJECT TO SECTION 7.9), WITHOUT LIMITING THE GENERALITY OF THE

FOREGOING, SELLER EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, STATUTORY, EXPRESS OR IMPLIED, AS TO (i) TITLE TO ANY OF THE ASSETS, (ii) THE CONTENTS, CHARACTER OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, OR ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE ASSETS, (iii) THE QUANTITY, QUALITY OR RECOVERABILITY OF PETROLEUM SUBSTANCES IN OR FROM THE ASSETS, (iv) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE REVENUES GENERATED BY THE ASSETS, (v) THE PRODUCTION OF PETROLEUM SUBSTANCES FROM THE ASSETS, (vi) ANY ESTIMATES OF OPERATING COSTS AND CAPITAL REQUIREMENTS FOR ANY WELL, OPERATION, OR PROJECT, (vii) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE ASSETS, (viii) THE CONTENT, CHARACTER OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY THIRD PARTIES, (ix) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE OR COMMUNICATED TO PURCHASER OR ITS AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, OFFICERS, DIRECTORS, MEMBERS, MANAGERS, EQUITY OWNERS, CONSULTANTS, REPRESENTATIVES OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO, AND SELLER FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, STATUTORY, EXPRESS OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM REDHIBITORY VICES OR DEFECTS (INCLUDING THOSE CONTEMPLATED IN LOUISIANA CIVIL CODE ARTICLES 2475 AND 2520 THROUGH 2548), FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY EQUIPMENT, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES HERETO THAT PURCHASER HAS INSPECTED, OR WAIVED PURCHASER'S RIGHT TO INSPECT, THE ASSETS FOR ALL PURPOSES AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, INCLUDING BUT NOT LIMITED TO CONDITIONS SPECIFICALLY RELATED TO THE PRESENCE, RELEASE OR DISPOSAL OF HAZARDOUS SUBSTANCES, SOLID WASTES OR NORM, AND THAT PURCHASER SHALL BE DEEMED TO BE OBTAINING THE ASSETS, INCLUDING THE EQUIPMENT, IN ITS PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS AND DEFECTS, AND THAT PURCHASER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS PURCHASER DEEMS APPROPRIATE, OR (ix) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT.

(c) Any representation "to the knowledge of Seller" or "to Seller's knowledge" is limited to matters within the actual knowledge of the persons set forth on Exhibit C. "Actual knowledge" for purposes of this Agreement means information actually personally known.

(d) Inclusion of a matter on a Schedule to a representation or warranty which addresses matters having a Material Adverse Effect shall not be deemed an indication that such matter does, or may, have a Material Adverse Effect. Matters may be disclosed on a Schedule to this Agreement for purposes of information only. Matters disclosed in each Schedule shall qualify the representation and warranty in which such Schedule is referenced and any other representation and warranty to which the matters disclosed reasonably relate.

(e) From time to time prior to the Closing Date, Seller shall have the right (but not the obligation) to supplement or amend the Schedules hereto to correct any matter that would otherwise constitute a breach of any representation or warranty of Seller contained herein (each a “**Schedule Supplement**”), and each such Schedule Supplement shall be deemed to be incorporated into and supplement and amend the Schedules as of the Closing Date; *provided, however*, that any such Schedule Supplement shall be disregarded for purposes of, and shall not affect Purchaser’s conditions to Closing set forth in Section 8.2.

(f) Subject to the foregoing provisions of this Section 5.1, and the other terms and conditions of this Agreement, each Seller jointly and severally represents and warrants to Purchaser the matters set out in Sections 5.2 through 5.20 as of the date of this Agreement and as of the Closing Date (other than such matters set out in such Sections that refer to a specified date, which need only be true and correct on and as of such specified date).

Section 5.2 **Existence and Qualification.**

Such Seller is duly organized, validly existing and in good standing under the Laws of the state of its formation and is duly qualified to do business in the jurisdictions where the Assets are located, except where the failure to so qualify would not have a Material Adverse Effect.

Section 5.3 **Power.**

Such Seller has the requisite power to enter into and perform this Agreement and consummate the transactions contemplated by this Agreement.

Section 5.4 **Authorization and Enforceability.**

The execution, delivery and performance of this Agreement, and the performance of the transactions contemplated hereby, have been duly and validly authorized by all necessary action on the part of such Seller. This Agreement has been duly executed and delivered by such Seller (and all documents required hereunder to be executed and delivered by such Seller at Closing will be duly executed and delivered by such Seller) and this Agreement constitutes, and at the Closing such documents will constitute, the valid and binding obligations of such Seller, enforceable in accordance with their terms except as such enforceability may be limited by applicable bankruptcy or other similar Laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

Section 5.5 **No Conflicts.**

The execution, delivery and performance of this Agreement by such Seller, and the transactions contemplated by this Agreement, will not (i) violate any provision of the governing documents of such Seller, (ii) result in a material default (with due notice or lapse of time or both) or the creation of any lien or encumbrance, or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any promissory note, bond, mortgage, indenture, loan or similar financing instrument to which such Seller is a party and which affects the Assets, (iii) violate any judgment, order, ruling, or decree applicable to such Seller as a party in interest or (iv) violate any Laws applicable to such Seller or any of the Assets (except for rights to consent by, required notices to, and filings with or other actions by Governmental Bodies where the same are not required prior to the assignment of oil and gas interests), except any matters described in clauses (ii), (iii) or (iv) above which would not have, individually or in the aggregate, a Material Adverse Effect.

Section 5.6 Liability for Brokers' Fees.

Purchaser shall not directly or indirectly have any responsibility, liability or expense, as a result of undertakings or agreements of such Seller, for brokerage fees, finder's fees, agent's commissions or other similar forms of compensation in connection with this Agreement or any agreement or transaction contemplated hereby.

Section 5.7 Litigation.

Except as disclosed on Schedule 5.7, there are no actions, suits or proceedings pending for which Seller has received written notice, or to Seller's knowledge threatened in writing, before any Governmental Body or arbitrator to which the Assets are subject except for any such actions, suits or proceedings which would not have, individually or in the aggregate, a Material Adverse Effect.

Section 5.8 Taxes and Assessments.

Except as set forth on Schedule 5.8, Seller warrants and represents (a) all material reports, returns, statements (including estimated reports, returns or statements), and other similar filings with respect to Taxes (the "**Tax Returns**") relating to the ownership or operation of the Assets required to be filed by Seller have been timely filed (taking into account all applicable extensions) with the appropriate Governmental Body in all jurisdictions in which such Tax Returns are required to be filed; (b) such Tax Returns are true and correct in all material respects, and all material Taxes reported and due on such Tax Returns have been paid; (c) there is not currently in effect any extension or waiver of any statute of limitations regarding the assessment or collection of any Tax with respect to the Assets, which period has not yet expired; (d) there are no administrative proceedings or lawsuits pending with respect to the Assets by any taxing authority for which Seller has received written notice; and (e) none of the Assets is held in an arrangement that is treated as a partnership for Tax purposes.

Notwithstanding anything in this Agreement to the contrary, this Section 5.8 contains the exclusive representations and warranties with respect to Tax matters, and no other Section in this Article 5 shall apply to Tax matters.

Section 5.9 **Outstanding Capital Commitments.**

As of the date of this Agreement, there is no individual outstanding authority for expenditure which is binding on the Assets, the value of which Seller reasonably anticipates exceeds One Hundred Thousand Dollars (\$100,000) chargeable to Seller's interests participating in the operation covered by such authority for expenditure after the Effective Time, other than those shown on Schedule 5.9 hereto.

Section 5.10 **Compliance with Laws.**

Except as disclosed on Schedule 5.10, to the knowledge of Seller, the Assets are and the operation of the Assets has been and currently is, in substantial compliance with the provisions and requirements of all Laws (excluding Environmental Laws, which are addressed in Section 5.15) of all Governmental Bodies having jurisdiction with respect to the Assets, or the ownership, operation, development, maintenance, or use of any thereof.

Section 5.11 **Contracts.**

Seller is not and, to Seller's knowledge, no other party is, in default under any Contract except as disclosed on Schedule 5.11(a) and except such defaults as would not, individually or in the aggregate, have a Material Adverse Effect. Schedule 5.11(b) sets forth all of the following Contracts included in the Assets or to which any of the Assets will be bound as of the Closing: (i) any agreement with any Affiliate or employees (who are employed solely with respect to the Assets); (ii) any agreement or contract for the sale, gathering, delivering, transmission, transportation, processing, exchange, or other disposition of Hydrocarbons produced from or attributable to Seller's interest in the Assets that is not cancelable without penalty or other material payment on not more than ninety (90) days prior written notice; (iii) any agreement of or binding upon Seller to sell, lease, farmout, or otherwise dispose of any interest in any of the Assets after the Effective Time, other than conventional rights of reassignment arising in connection with Seller's surrender or release of any of the Assets, (iv) joint operating agreements, area of mutual interest agreements and farmout and farmin agreements, and (v) any contracts or agreements (other than those set forth in sub clauses (i) - (iv) above) which would reasonably require expenditures by Seller (net to the interest of Seller) in excess of \$250,000.00, in any calendar year.

Section 5.12 **Payments for Production.**

Except as set forth on Schedule 5.12, Seller is not obligated under any contract or agreement containing a take-or-pay, advance payment, prepayment, or similar provision, or under any gathering, transmission, or any other contract or agreement with respect to any of the Assets to sell, gather, deliver, process, or transport any Hydrocarbons without then or thereafter receiving full payment therefor.

Section 5.13 **Governmental Authorizations.**

Except as disclosed on Schedule 5.13, to the knowledge of Seller, Seller has obtained and is maintaining all federal, state and local governmental licenses, permits, franchises, orders,

exemptions, variances, waivers, authorizations, certificates, consents, rights, privileges and applications therefor (the “**Governmental Authorizations**”) that are presently necessary or required for the operation of the Seller Operated Assets as currently operated (excluding those required under Environmental Laws), the loss of which would have, individually or in the aggregate, a Material Adverse Effect. Except as disclosed in Schedule 5.7 or Schedule 5.13 and except as would not have, individually or in the aggregate, a Material Adverse Effect, (i) to Seller’s knowledge, Seller has operated the Seller Operated Assets in accordance with the conditions and provisions of such Governmental Authorizations, and (ii) no written notices of violation have been received by Seller, and no proceedings are pending (for which Seller has received written notice) or, to Seller’s knowledge, threatened in writing that might result in any modification, revocation, termination or suspension of any such Governmental Authorizations or which would require any corrective or remediation action by Seller.

Section 5.14 **Consents and Preferential Purchase Rights.**

None of the Leases, Units or Wells, or any portion thereof, is subject to any (i) preferential rights to purchase, (ii) restrictions on assignment or required third-party consents to assignment that if not obtained in connection with an assignment to Purchaser would result in a termination of Seller’s title to such Asset or (iii) to Seller’s knowledge, other third-party consents to assignment, which are applicable to the transactions contemplated by this Agreement, except for (x) consents and approvals by Governmental Bodies of assignments that are customarily obtained after Closing, (y) preferential rights, consents and restrictions contained in easements, rights-of-way, Surface Contracts or equipment leases and (z) preferential rights, consents and restrictions as are set forth on Schedule 5.14.

Section 5.15 **Environmental Laws.**

Except as disclosed on Schedule 5.15, to Seller’s knowledge the Properties and the operation thereof are in compliance with applicable Environmental Laws, except for incidents of noncompliance that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect and Seller has not entered into, and is not subject to, any agreements, consents, orders, decrees, judgments, or other directives of any Governmental Authority that are in existence as of the date of this Agreement, and are based on any Environmental Laws, that relate to the future use of any of the Assets and that would reasonably require any change in the present conditions of any of the Assets. Notwithstanding anything to the contrary in this Section 5.15 or elsewhere in this Agreement, Seller makes no, and disclaims any, representation or warranty, express or implied, with respect to the presence or absence of NORM, asbestos, mercury, drilling fluids and chemicals, and produced waters and Hydrocarbons in or on the Properties or Equipment. The representation and warranty in this Section 5.15 constitutes the only representation and warranty with respect to Environmental Laws or Environmental Liabilities and no other representation or warranty appearing in this Agreement shall be construed to cover Environmental Laws or Environmental Liabilities.

Section 5.16 **Bankruptcy.**

There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by or, to such Seller's knowledge, threatened against such Seller.

Section 5.17 **Imbalances.**

To the knowledge of Seller, Schedule 5.17 sets forth all material Imbalances associated with Assets as of the Effective Time.

Section 5.18 **Royalties, Expenses.**

Except for such items that are being held in suspense or as would not have a Material Adverse Effect, with respect to Seller's ownership and operation of the Assets, to the knowledge of Seller, Seller (a) has paid in all material respects all royalties and expenses due with respect to Seller's interests in the Properties as would a reasonably prudent owner, or (b) if not paid, is contesting such royalties, other burdens and expenses in good faith in the normal course of business, in each case to the extent the same (i) relate to Seller's ownership or operation of the Assets for the period of time prior to the Effective Time, and (ii) are owed and delinquent in payment by Seller

Section 5.19 **Bonds.**

Schedule 5.19 sets forth a complete and accurate list of all bonds currently in effect, and letters of credit and guarantees posted or entered into by Seller and currently in effect in connection with Seller's ownership or operation of the Properties.

Section 5.20 **Inactive Wells.**

To the knowledge of Seller, except as set forth on Schedule 5.20 there are no dry holes, or shut in or otherwise inactive wells, located on the Assets or on lands pooled or unitized therewith, except for wells that have been plugged and abandoned.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller the following:

Section 6.1 **Existence and Qualification.**

Purchaser is a limited liability company formed, validly existing and in good standing under the Laws of the state of Delaware; and Purchaser is duly qualified to do business as a foreign limited liability company in every jurisdiction in which it is required to qualify in order to conduct its business except where the failure to so qualify would not have a material adverse effect on Purchaser or its properties; and Purchaser is or will be duly qualified to do business as a foreign limited liability company in the respective jurisdictions where the Assets to be transferred to it are located.

Section 6.2 **Power.**

Purchaser has the requisite power to enter into and perform this Agreement and consummate the transactions contemplated by this Agreement.

Section 6.3 Authorization and Enforceability.

The execution, delivery and performance of this Agreement, and the performance of the transactions contemplated hereby, have been duly and validly authorized by all necessary action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser (and all documents required hereunder to be executed and delivered by Purchaser at Closing will be duly executed and delivered by Purchaser) and this Agreement constitutes, and at the Closing such documents will constitute, the valid and binding obligations of Purchaser, enforceable in accordance with their terms except as such enforceability may be limited by applicable bankruptcy or other similar Laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

Section 6.4 No Conflicts.

The execution, delivery and performance of this Agreement by Purchaser, and the transactions contemplated by this Agreement will not (i) violate any provision of the limited liability company agreement, bylaws, limited partnership agreement or other governing or charter documents of Purchaser, (ii) result in a material default (with due notice or lapse of time or both) or the creation of any lien or encumbrance, or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any promissory note, bond, mortgage, indenture, loan or similar financing instrument to which Purchaser is a party or which affects Purchaser's assets, (iii) violate any judgment, order, ruling, or regulation applicable to Purchaser as a party in interest or (iv) violate any Laws applicable to Purchaser or any of its assets, except any matters described in clauses (ii), (iii) or (iv) above which would not have a material adverse effect on Purchaser.

Section 6.5 Liability for Brokers' Fees.

Seller shall not directly or indirectly have any responsibility, liability or expense, as a result of undertakings or agreements of Purchaser, for brokerage fees, finder's fees, agent's commissions or other similar forms of compensation in connection with this Agreement or any agreement or transaction contemplated hereby.

Section 6.6 Litigation.

As of the date of the execution of this Agreement, there are no actions, suits or proceedings pending, or to Purchaser's knowledge, threatened in writing before any Governmental Body against Purchaser or any subsidiary of Purchaser which are reasonably likely to impair materially Purchaser's ability to perform its obligations under this Agreement.

Section 6.7 Financing.

Purchaser has sufficient cash, available lines of credit or other sources of immediately available funds (in United States dollars) to enable it to pay the Closing Payment to Seller at the Closing.

Section 6.8 Independent Investigation.

Purchaser is (or its advisors are) experienced and knowledgeable in the oil and gas business and aware of the risks of that business. Purchaser acknowledges and affirms as of the Closing Date that (i) it has completed and relied solely upon its own independent investigation, verification, analysis and evaluation of the Assets, (ii) it has made all such reviews and inspections of the Assets as it has deemed necessary or appropriate and (iii) except for the express representations, warranties, covenants and remedies provided in this Agreement, it is acquiring the Assets on an as-is, where-is basis with all faults, and has not relied upon any other representations, warranties, covenants or statements of Seller in entering into this Agreement.

Section 6.9 Bankruptcy.

There are no bankruptcy, reorganization or receivership proceedings pending against, being contemplated by, or, to Purchaser's knowledge, threatened against Purchaser.

Section 6.10 Qualification.

Purchaser shall be, at Closing, and thereafter shall continue to be, qualified to own and assume operatorship of federal and state oil, gas and mineral leases in all jurisdictions where the Assets to be transferred to it are located, and the consummation of the transactions contemplated in this Agreement will not cause Purchaser to be disqualified as such an owner or operator. To the extent required by applicable Law, as of the Closing, Purchaser currently has, and will continue to maintain, lease bonds, area-wide bonds or any other surety bonds as may be required by, and in accordance with, such state or federal regulations governing the ownership and operation of such leases.

Section 6.11 Consents.

Except for consents and approvals for the assignment of the Assets to Purchaser that are customarily and lawfully obtained after the assignment of properties similar to the Assets, there are no consents or other restrictions on assignment applicable to Purchaser that Purchaser is obligated to obtain or furnish, including requirements for consents from third parties to any assignment (in each case), that would be applicable in connection with the consummation of the transactions contemplated by this Agreement by Purchaser.

ARTICLE 7

COVENANTS OF THE PARTIES

Section 7.1 Access.

Between the date of execution of this Agreement and continuing until the Closing Date, Seller will give Purchaser and its representatives access to Seller's offices and the Records, including the right to copy, at Purchaser's expense, the Records in Seller's possession, for the purpose of conducting an investigation of the Assets, but only to the extent that Seller may do so without violating any applicable Law or obligations to any third party and to the extent that Seller has authority to grant such access without breaching any restriction binding on Seller. Such access by Purchaser shall be subject to applicable limitations in Section 4.1 and shall be limited to Seller's normal business hours, and any weekends and after hours requested by Purchaser that can be reasonably accommodated by Seller, and Purchaser's investigation shall be conducted in a manner that minimizes interference with the operation of the Assets. All information obtained by and access granted to Purchaser and its representatives under this Section shall be subject to the terms of Section 7.6 and the terms of the Confidentiality Agreement.

Section 7.2 Government Reviews.

Seller and Purchaser shall in a timely manner (a) make all required filings, if any, with and prepare applications to and conduct negotiations with, each governmental agency as to which such filings, applications or negotiations are necessary or appropriate in the consummation of the transactions contemplated hereby, and (b) provide such information as each may reasonably request to make such filings, prepare such applications and conduct such negotiations. Each party shall cooperate with and use all commercially reasonable efforts to assist the other with respect to such filings, applications and negotiations.

Section 7.3 Notification of Breaches.

Until the Closing,

(a) Purchaser shall notify Seller promptly after Purchaser obtains actual knowledge that (i) any representation or warranty of Seller contained in this Agreement is untrue in any material respect or will be untrue in any material respect as of the Closing Date or that any covenant or agreement to be performed or observed by Seller prior to or on the Closing Date has not been so performed or observed in any material respect or (ii) any representation or warranty of Purchaser contained in this Agreement is untrue in any material respect or will be untrue in any material respect as of the Closing Date or any covenant or agreement to be performed or observed by Purchaser prior to or on the Closing Date has not been so performed or observed in a material respect.

(b) Seller shall notify Purchaser promptly after Seller obtains actual knowledge that (i) any representation or warranty of Purchaser contained in this Agreement is untrue in any material respect or will be untrue in any material respect as of the Closing Date or that any covenant or agreement to be performed or observed by Purchaser prior to or on the Closing Date has not been so performed or observed in a material respect or (ii) any representation or warranty of Seller contained in this Agreement is untrue in any material respect or will be untrue in any material respect as of the Closing Date or that any covenant or agreement to be performed or observed by Seller prior to or on the Closing Date has not been so performed or observed in any material respect.

If any of Purchaser's or Seller's representations or warranties is untrue or shall become untrue in any material respect between the date of execution of this Agreement and the Closing Date, or if any of Purchaser's or Seller's covenants or agreements to be performed or observed prior to or on the Closing Date (other than on a specified date) shall not have been so performed or observed in any material respect, but if such breach of representation, warranty, covenant or agreement shall (if curable) be cured by the Closing (or, if the Closing does not occur, by the date set forth in Section 10.1), then such breach shall be considered not to have occurred for all purposes of this Agreement.

Section 7.4 Operatorship.

Seller will assist Purchaser in its efforts to succeed Seller as operator of any Wells included in the Seller Operated Assets. Seller makes no representation and does not warrant or guarantee that Purchaser will succeed in being appointed successor operator. Purchaser shall promptly, following Closing, file and diligently pursue until receipt of any acknowledgement, consent or confirmation by applicable agencies all appropriate forms, permit transfers and declarations or bonds with federal and state agencies relative to its assumption of operatorship. For all Seller Operated Assets, with respect to which Purchaser receives the necessary approvals to succeed Seller as operator, Seller shall execute and deliver to Purchaser, on forms to be prepared by Purchaser and acceptable to Seller, and Purchaser shall promptly file, the applicable forms transferring operatorship of such Seller Operated Assets to Purchaser.

Section 7.5 Operation of Business.

Except as set forth on Schedule 7.5 or for expenditures or operations set forth on Schedule 5.9, and except as otherwise consented to in writing by Purchaser, which consent shall not be unreasonably withheld or delayed, until the Closing, Seller (i) will operate its business in the ordinary course consistent with past practices, (ii) will not commit to any single operation, or series of related operations, reasonably anticipated by Seller to require future capital expenditures by the owner of the Assets in excess of One Hundred Thousand Dollars (\$100,000) (net to Seller's interest) or make any capital expenditures related to the Assets in excess of One Hundred Thousand Dollars (\$100,000) (net to Seller's interest), (iii) will not terminate, materially amend, execute or extend any material agreements affecting the Assets, (iv) will maintain insurance coverage on the Assets presently furnished by nonaffiliated third parties in the amounts and of the types presently in force, (v) will use commercially reasonable efforts to maintain in full force and effect all Leases, (vi) will maintain all material Governmental Authorizations affecting the Assets, (vii) will not transfer, farmout, sell, hypothecate, encumber or otherwise dispose of any material Assets except for sales and dispositions of Hydrocarbon production and Equipment made in the ordinary course of business consistent with past practices, (viii) will not become a non-consenting party in any operation proposed by any other Person with respect to the Assets unless requested to do so in writing by Purchaser and (ix) will not commit to do any of the foregoing. Purchaser's approval of any action restricted by this Section 7.5 shall be considered granted within five (5) days (unless a shorter time is reasonably required by the circumstances and such shorter time is specified in Seller's written notice) of Seller's notice to Purchaser requesting such consent unless Purchaser notifies Seller to the contrary during that

period. In the event of an emergency, Seller may take such action as a prudent operator would take and shall notify Purchaser of such action promptly thereafter.

Notwithstanding anything to the contrary in this Agreement, Seller shall have no liability to Purchaser for the incorrect payment of delay rentals, royalties, overriding royalties, shut-in payment payments or similar payments made during the Adjustment Period or for failure to make such payments through mistake or oversight (including Seller's negligence or other fault), except that, to the extent such incorrect payment causes Seller to have less than Defensible Title to a Property prior to Closing, Purchaser may, until the Title Claim Date, assert a Title Defect under Section 3.4(a) with respect to such matter and except to the extent such incorrect payment gives rise to an adjustment to the Purchase Price, at Closing (and as a post-Closing adjustment on the statement delivered by Seller in accordance with Section 9.4(b), if applicable) but then only to the extent of such adjustment.

Notwithstanding anything to the contrary contained in this Agreement, with respect to any Asset for which Seller is not the operator, Seller shall not be deemed to have breached or otherwise violated any of its covenants or agreements contained in this Agreement that are applicable to any such Assets so long as Seller exercise reasonable commercial efforts to cause any third party operator of such Assets to comply with such covenant or agreement.

Purchaser acknowledges that Seller may own an undivided interest in certain of the Assets and Purchaser agrees that the acts or omissions of the other working interest owners who are not affiliated with Seller shall not constitute a violation of the provisions of this Article 7 nor shall any action required by a vote of working interest owners constitute such a violation so long as Seller has voted its interest in a manner consistent with the provisions of this Article 7.

Section 7.6 **Indemnity Regarding Access.**

Purchaser, on behalf of itself and the Purchaser Indemnitees, hereby releases and agrees to indemnify, defend and hold harmless Seller Indemnitees and the other owners of interests in the Leases and Wells described on Exhibit A or Exhibit A-1 from and against any and all claims, liabilities, losses, costs and expenses (including court costs, expert fees and reasonable attorneys' fees), including claims, liabilities, losses, costs and expenses attributable to personal injuries, death, or property damage, arising out of or relating to access to the Assets by the Purchaser Indemnitees, the Records and other related activities or information prior to the Closing by Purchaser Indemnitees, **EVEN IF CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), STRICT LIABILITY OR OTHER LEGAL FAULT OF ANY INDEMNIFIED PERSON EXCLUDING, HOWEVER, ANY CLAIMS, LIABILITIES, LOSSES, COSTS OR EXPENSES CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY INDEMNIFIED PERSON.**

Section 7.7 **Other Preferential Rights.**

Should a third party fail to exercise its preferential right to purchase as to any portion of the Assets prior to Closing and the time for exercise or waiver has not yet expired, subject to the remaining provisions of this Section 7.7, such Assets shall be included in the transaction at Closing,

such preferential right to purchase shall be a Permitted Encumbrance hereunder, and the following procedures shall be applicable. If one or more of the holders of any such preferential right to purchase notifies Seller subsequent to the Closing that it intends to assert its preferential purchase right, Seller shall give notice thereof to Purchaser, whereupon Purchaser shall satisfy all such preferential purchaser right obligations of Seller to such holders and shall indemnify and hold harmless Seller from and against any and all claims, liabilities, losses, damages, costs and expenses (including court costs, expert fees and reasonable attorney's fees) in connection therewith, and Purchaser shall be entitled to receive (and Seller hereby assigns to Purchaser all of Seller's rights to) all proceeds, received from such holders in connection with such preferential rights to purchase.

Prior to Closing, should any third party bring any suit, action or other proceeding seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated hereby in connection with a claim to enforce preferential rights, the Assets subject to such suit, action or other proceeding shall be excluded from the Assets transferred at Closing and the Purchase Price shall be reduced by the Allocated Value of such excluded Assets. Promptly after the suit, action or other proceeding is dismissed or settled or a judgment is rendered in favor of Seller, as applicable, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, all such Assets not being sold to the third party for a purchase price equal to the Allocated Value of such Assets, adjusted as provided in Section 2.2.

Section 7.8 **Tax Matters.**

(a) Subject to the provisions of Section 12.3, Seller shall be responsible for all Taxes related to the ownership or operation of the Assets that are attributable to any taxable period, or portion thereof, that ends at or prior to the Effective Time. Purchaser shall be responsible for all other Taxes related to the ownership or operation of the Assets. Regardless of which party is responsible for Taxes pursuant to the preceding sentences of this Section 7.8(a), Seller shall handle payment to the appropriate Governmental Body of all Taxes related to the ownership or operation of the Assets which are required to be paid prior to Closing (and shall file all Tax Returns with respect to such Taxes); *provided that* to the extent such Taxes relate to the periods from and after the Effective Time, as determined pursuant to Section 1.4(c), such payment shall be on behalf of Purchaser, and promptly following the Closing Date, following Seller's request, Purchaser shall pay to Seller any such Taxes (but only to the extent that such amounts have not already been accounted for under Section 2.2). Purchaser shall handle payment to the appropriate Governmental Body of all Taxes related to the ownership or operation of the Assets which are required to be paid after Closing (and shall file all Tax Returns with respect to such Taxes); *provided that* that in the event that Seller is required by applicable Law to file a Tax Return with respect to such Taxes after the Closing Date which includes all or a portion of a Tax period for which Purchaser is liable for such Taxes, following Seller's request, Purchaser shall promptly pay to Seller all such Taxes allocable to the period or portion thereof beginning at or after the Effective Time (but only to the extent that such amounts have not already been accounted for under Section 2.2). Notwithstanding the foregoing, this Section 7.8(a) shall not apply to income, franchise, corporate, business and occupation, business license and similar Taxes (including Taxes based on net profits, margin, revenues, gross receipts or similar measure), and Tax Returns

therefor, which shall be borne, paid and filed by the party responsible for such Taxes under applicable Law. If requested by Purchaser, Seller will assist Purchaser with preparation of all ad valorem and property Tax Returns due on or before thirty (30) days after Closing (including any extensions requested). Seller shall deliver to Purchaser within thirty (30) days of filing copies of all Tax Returns filed by Seller after the Closing Date relating to the Assets and any supporting documentation provided by Seller to Governmental Bodies.

(b) If Seller or Purchaser (or an Affiliate of Seller or Purchaser) receives a refund of any Taxes (whether by payment, credit offset or otherwise, with any interest thereon) covered by Section 7.8(a) that are paid by and required to be borne by the other party hereto, the party that received (or whose Affiliate that received) such refund shall promptly (but no later than thirty (30) days after receipt) remit payment to such other party of an amount equal to the refund amount, with any interest thereon, including all relevant documentation. Each party hereto shall cooperate with the other and its Affiliates in order to take all reasonably necessary steps to claim any refund to which it is entitled. Purchaser agrees to notify Seller within ten (10) days following the discovery of a right to claim any refund to which Seller is entitled and upon receipt of any such refund.

(c) Except to the extent required by applicable Laws, Purchaser shall not and shall not permit its Affiliates to amend any Tax Return with respect to Taxes for which Seller is liable under this Section 7.8 or for which Seller may be liable to indemnify Purchaser under Section 11.2. Any Tax Return prepared by Purchaser for a taxable period, or portion thereof, beginning before the Effective Time shall be prepared in accordance with Seller's prior practice and shall not be filed without Seller's written consent (not to be unreasonably withheld, conditioned or delayed) after providing Seller a copy thereof reasonably in advance of the due date for filing such Tax Returns. In the event that Seller is required by applicable Law to file any Tax Return with respect to Taxes for which Purchaser is responsible hereunder, Seller shall prepare and timely file such Tax Return but shall not file such Tax Return without Purchaser's written consent (not to be unreasonably withheld, conditioned or delayed) after providing Purchaser a copy thereof reasonably in advance of the due date for filing such Tax Return. If Seller or Purchaser disputes any item on a Tax Return described in this Section 7.8(c), it shall notify the other Party of such disputed item (or items) and the basis for its objection. The Parties shall act in good faith to resolve any such dispute prior to the date on which the relevant Tax Return is required to be filed. Purchaser and Seller shall each provide the other with all information reasonably necessary to prepare any Tax Return described in this Section 7.8(c).

(d) After the Closing, Purchaser or Seller, as applicable, shall notify the other party in writing within fifteen (15) days of the receipt of the notice of any proposed assessment or commencement of any Tax audit or administrative or judicial proceeding and of any Tax demand or claim on Purchaser or any of its Affiliates or Seller or any of its Affiliates that, if determined adversely to the taxpayer or after the lapse of time, could reasonably be grounds for indemnification by Seller or would be reasonably likely to materially increase the Tax liability of Purchaser or any of its Affiliates; provided that failure to timely provide such notice shall not affect the right of Purchaser's indemnification

hereunder, except to the extent Seller is prejudiced by such delay or omission. Such notice shall contain factual information describing the asserted Tax liability in reasonable detail and shall include copies of any notice or other document received from any Governmental Body in respect of any such asserted Tax liability. Seller shall control any proceeding with respect to any Taxes or Tax Returns relating to or with respect to any Asset (“**Tax Audit**”) for any item relating to a Tax for which Seller is reasonably likely to be responsible, in whole or in part, pursuant to Section 7.8(a) or for which Seller may be liable to indemnify Purchaser under Section 11.2. Neither Purchaser nor Seller shall settle any such Tax Audit in a way that would adversely affect the other party without the other party’s written consent, which consent the other party shall not unreasonably withhold, delay or condition. Purchaser and Seller shall each provide the other with all information reasonably necessary to conduct a Tax Audit with respect to Taxes or the transactions contemplated by this Agreement.

(e) If, prior to Closing, Seller has paid on behalf of other working interest owners, royalty interest owners, overriding royalty interest owners and other interest owners in the Assets, ad valorem, property, severance, production and similar Taxes imposed on the ownership of the Assets or the production of Hydrocarbons produced from such Assets for Tax periods or portions thereof after the Effective Time (such amounts, “**Post-Effective Time Tax Advances**”) and has not recouped such Post-Effective Time Tax Advances before the Closing Date from such working interest owners, royalty interest owners, overriding royalty interest owners and other interest owners in the Assets, Purchaser shall use its commercially reasonable efforts to recoup the Post-Effective Time Tax Advances from such other working interest owners, royalty interest owners, overriding royalty interest owners and other interest owners in such Assets and shall promptly remit any such recovered Post-Effective Time Tax Advance amounts to Seller.

(f) Notwithstanding Section 12.11, Purchaser and Seller hereby agree that any party, at its sole expense, may elect a like-kind exchange under Section 1031 of the Code with respect to the transactions contemplated by this Agreement. Seller, at its expense, shall have the right at any time prior to the Closing to assign all or a portion of its rights under this Agreement to a “qualified intermediary” (as that term is defined in Treasury Regulations Section 1.1031(k)-1(g)(4)(iii)) or an “exchange accommodation titleholder” (as that term is defined in Revenue Procedure 2000-37, 2000-2 C.B. 308) in order to effectuate the transactions contemplated hereby at such Closing in a manner that will qualify, either in whole or in part, as a like-kind exchange under Section 1031 of the Code. Likewise, Purchaser, at its expense, shall have the right at any time prior to the Closing to assign all or a portion of its rights under this Agreement to a qualified intermediary or an exchange accommodation titleholder for the same purpose. In the event that any party assigns its rights under this Agreement pursuant to this Section 7.8(f), such party agrees to notify the other party in writing of such assignment on or before the Closing attributable to such rights. Purchaser and Seller agree to cooperate to the extent reasonably requested by the other party in order to effectuate the transactions contemplated hereby as a like-kind exchange under Section 1031 of the Code; provided that (a) the Closing shall not be delayed or affected by reason of the like-kind exchange; (b) Seller shall indemnify Purchaser against any additional costs, damages or liabilities directly incurred by Purchaser on account of Seller’s

consummation of the transaction through a like-kind exchange; and (c) Purchaser shall indemnify Seller against any additional costs, damages or liabilities directly incurred by Seller on account of Purchaser's consummation of the transaction through a like-kind exchange. Purchaser and Seller acknowledge and agree that any assignment of rights under this Agreement to a qualified intermediary or an exchange accommodation titleholder shall not release any party from, or modify, any of its obligations to the other party under this Agreement and that no party represents to any other party that any particular Tax treatment will be given to any party as a result thereof. In no event will any party be liable to any other party for any failure of any transaction to qualify for like-kind treatment under Section 1031 of the Code.

Section 7.9 **Special Warranty of Title.**

The Conveyance shall contain a covenant of Seller to warrant Defensible Title to the Leases, Wells and Units after Closing from and against the lawful claims of third parties arising by, through or under Seller, but not otherwise, that are not reflected or referred to of record in the counties where the lands covered by the Leases and Units are located or in the materials made available to Purchaser prior to the Title Claim Date (the "**Special Warranty**"); *provided, however*, that, notwithstanding anything herein to the contrary, (i) Seller shall not be liable to Purchaser Indemnitees for any Damages resulting from a breach of such covenant unless (A) the sum of (x) Damages resulting from such breach plus (y) Title Defect Amounts for Title Defects covered by Section 3.4(d)(i) plus (z) Environmental Liabilities covered by Section 4.4(a), exceeds the Defect Deductible, after which point Seller shall be liable for such Damages in excess of the Defect Deductible and (B) Purchaser delivers notice to Seller of such claim on or before the date that is the third anniversary of the Closing Date and (ii) without limiting clause (i), Seller's liability to Purchaser in respect of such covenant for any Lease, Well or Unit shall not exceed the Allocated Value of the Lease, Well or Unit. Without limiting the foregoing, Purchaser shall not be entitled to claim a breach of the Special Warranty for any Title Defect claimed in a Title Defect Notice or of which Purchaser had knowledge on or before the Title Claim Date.

Section 7.10 **Suspended Proceeds.**

Seller shall transfer and remit to Purchaser, in the form of an adjustment to the Purchase Price, at Closing (and as a post-Closing adjustment on the statement delivered by Seller in accordance with Section 9.4(b), if applicable), all monies representing the value or proceeds of production removed or sold from the Properties and held by Seller at the time of the Closing for accounts from which payment has been suspended, such monies, net of applicable rights of set off or recoupment, being hereinafter called "**Suspended Proceeds**". Purchaser shall be solely responsible for the proper distribution of such Suspended Proceeds to the Person or Persons which or who are entitled to receive payment of the same.

Section 7.11 **Further Assurances.**

After Closing, Seller and Purchaser each agrees to take such further actions and to execute, acknowledge and deliver all such further documents as are reasonably requested by the other party

hereto for carrying out the purposes of this Agreement or of any document delivered pursuant to this Agreement.

ARTICLE 8

CONDITIONS TO CLOSING

Section 8.1 Conditions of Seller to Closing.

The obligations of Seller to consummate the transactions contemplated by this Agreement are subject, at the option of Seller, to the satisfaction on or prior to Closing of each of the following conditions:

(a) Representations. The representations and warranties of Purchaser set forth in Article 6 shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need only be true and correct on and as of such specified date), except for such breaches, if any, as would not have a Material Adverse Effect (provided that to the extent such representation or warranty is qualified by its terms by materiality or Material Adverse Effect, such qualification in its terms shall be inapplicable for purposes of this Section and the Material Adverse Effect qualification contained in this Section 8.1 shall apply in lieu thereof);

(b) Performance. Purchaser shall have performed and observed, in all material respects, all covenants and agreements to be performed or observed by it under this Agreement prior to or on the Closing Date;

(c) Pending Litigation. No suit, action or other proceeding by any Governmental Body seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement shall be pending before any Governmental Body;

(d) Deliveries. Purchaser shall have delivered to Seller duly executed counterparts of the Conveyances and the other documents and certificates to be delivered by Purchaser under Section 9.3;

(e) Title Defects, Casualty or Condemnation and Environmental Liabilities. The aggregate amount of (i) the amount of all Title Defect Amounts for Title Defects covered by Section 3.4(d)(i) (excluding unsatisfied consents or preferential rights of purchase treated as Title Defects under Section 3.5), less the amount of all Title Benefit Amounts for Title Benefits, as determined under Article 3, plus (ii) the amount of all adjustments to the Purchase Price for Environmental Liabilities covered by Section 4.4(a), plus (iii) the aggregate amount of the Allocated Values of all Properties excluded from the Properties to be conveyed to Purchaser at Closing pursuant to Sections 3.5 and 3.6 shall not exceed an amount equal to twenty-five percent (25%) of the Purchase Price;

(f) Payment. Purchaser shall be ready, willing and able to pay the Closing Payment.

Section 8.2 Conditions of Purchaser to Closing.

The obligations of Purchaser to consummate the transactions contemplated by this Agreement are subject, at the option of Purchaser, to the satisfaction on or prior to Closing of each of the following conditions:

(a) Representations. The representations and warranties of Seller set forth in Article 5 shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need only be true and correct on and as of such specified date), except for such breaches, if any, as would not have a Material Adverse Effect (provided that to the extent such representation or warranty is qualified by its terms by materiality or Material Adverse Effect, such qualification in its terms shall be inapplicable for purposes of this Section and the Material Adverse Effect qualification contained in this Section 8.2 shall apply in lieu thereof);

(b) Performance. Seller shall have performed and observed, in all material respects, all covenants and agreements to be performed or observed by it under this Agreement prior to or on the Closing Date;

(c) Pending Litigation. No suit, action or other proceeding by any Governmental Body seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement shall be pending before any Governmental Body;

(d) Deliveries. Seller shall be ready, willing and able to deliver to Purchaser duly executed counterparts of the Conveyances and the other documents and certificates to be delivered by Seller under Section 9.2;

(e) Title Defects, Casualty or Condemnation and Environmental Liabilities. The aggregate amount of (i) the amount of all Title Defect Amounts for Title Defects covered by Section 3.4(d)(i) (excluding unsatisfied consents or preferential rights of purchase treated as Title Defects under Section 3.5), less the amount of all Title Benefit Amounts for Title Benefits, as determined under Article 3, plus (ii) the amount of all adjustments to the Purchase Price for Environmental Liabilities covered by Section 4.4(a), plus (iii) the aggregate amount of the Allocated Values of all Properties excluded from the Properties to be conveyed to Purchaser at Closing pursuant to Sections 3.5 and 3.6 shall not exceed an amount equal to twenty-five percent (25%) of the Purchase Price.

ARTICLE 9

CLOSING

Section 9.1 Time and Place of Closing.

(a) Consummation of the purchase and sale transaction as contemplated by this Agreement (the “**Closing**”), shall, unless otherwise agreed to in writing by Purchaser and Seller, take place at the offices of Seller in Dallas, Texas, at 9:00 A.M. local time, on (i) the date that is forty (40) days from the date hereof (or in the event such date is not a Business Day then the next Business Day immediately following such date) or (ii) if all conditions in Article 8 to be satisfied prior to Closing have not yet been satisfied or waived, as soon as thereafter as such conditions have been satisfied or waived, subject to the rights of the parties under Article 10.

(b) The date on which the Closing occurs is herein referred to as the “**Closing Date.**”

Section 9.2 **Obligations of Seller at Closing.**

At the Closing, upon the terms and subject to the conditions of this Agreement, Seller shall deliver or cause to be delivered to Purchaser, among other things, the following:

(a) the Conveyance, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices, duly executed by Seller, including any Deeds or Bills of Sale as reasonably necessary to accomplish the transfer of the Properties from Seller to Purchaser;

(b) assignments, on appropriate forms, of state and of federal leases comprising portions of the Assets, duly executed by Seller;

(c) letters-in-lieu of division or transfer orders covering the Assets that are prepared and provided by Purchaser and reasonably satisfactory to Seller to reflect the transactions contemplated hereby, duly executed by Seller;

(d) executed releases of any and all liens, mortgages and other encumbrances on the Assets incurred by Seller or its Affiliates in connection with borrowed monies, if any;

(e) change of operator forms executed by Seller, suitable for filing with the applicable Government Authority;

(f) as appropriate, duly executed resignation of operatorship notices whereby Seller shall resign as operator of the Seller Operated Assets in accordance with the applicable Contracts governing such resignation, in a form mutually agreeable to the Parties;

(g) a certificate duly executed by an authorized officer of Seller, dated as of Closing, certifying on behalf of Seller that to the best of its knowledge the conditions set forth in Sections 8.2(a) and 8.2(b) have been fulfilled; and

(h) an executed statement described in Treasury Regulation §1.1445-2(b)(2) certifying that Seller is not a foreign person within the meaning of the Code.

Section 9.3 **Obligations of Purchaser at Closing.**

At the Closing, upon the terms and subject to the conditions of this Agreement, Purchaser shall deliver or cause to be delivered to Seller, among other things, the following:

- (a) a wire transfer of the Closing Payment in same-day funds;
- (b) the Conveyance, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices, duly executed by Purchaser, including any Deeds or Bills of Sale as reasonably necessary to accomplish the transfer of the Properties from Seller to Purchaser;
- (c) copies of all bonds, letters of credit and guarantees required to be obtained by Purchaser under Section 12.6 or other written evidence that Purchaser is not required under Section 12.6 to obtain such items;
- (d) letters-in-lieu of division and transfer orders covering the Assets, duly executed by Purchaser;
- (e) with respect to the seismic data described in Section 1.2(k), a non-exclusive, irrevocable, non-transferable, worldwide, royalty-free right and license to use and to copy such seismic data with such license to be effective as of the Effective Time; and
- (f) a certificate by an authorized officer of Purchaser, dated as of Closing, certifying on behalf of Purchaser that the conditions set forth in Sections 8.1(a) and 8.1(b) have been fulfilled.

Section 9.4 Closing Payment and Post-Closing Purchase Price Adjustments.

(a) Not later than five (5) days prior to the Closing Date, Seller shall prepare and deliver to Purchaser, based upon the best information available to Seller, a preliminary settlement statement estimating the Adjusted Purchase Price after giving effect to all Purchase Price adjustments set forth in Section 2.2 and the Deposit. The estimate delivered in accordance with this Section 9.4(a) shall constitute the dollar amount to be paid by Purchaser to Seller at the Closing (the “**Closing Payment**”).

(b) As soon as reasonably practicable after the Closing but not later than one hundred twenty (120) days following the Closing Date, Seller shall prepare and deliver to Purchaser a statement setting forth the final calculation of the Adjusted Purchase Price and showing the calculation of each adjustment, based, to the extent possible on actual credits, charges, receipts and other items before and after the Effective Time and taking into account all adjustments provided for in this Agreement. Seller shall at Purchaser’s request supply reasonable documentation available to support any credit, charge, receipt or other item. As soon as reasonably practicable but not later than the 30th day following receipt of Seller’s statement hereunder, Purchaser shall deliver to Seller a written report containing any changes that Purchaser proposes be made to such Statement. The parties hereto shall undertake to agree on the final statement of the Adjusted Purchase Price no later than one hundred eighty (180) days after the Closing Date. In the event that the parties cannot agree on the Adjusted

Purchase Price within one hundred eighty (180) days after the Closing, such determination will be automatically referred to an independent expert of the parties choosing with at least ten (10) years of oil and gas accounting experience for arbitration (the “**Independent Expert**”). If the parties hereto are unable to agree upon an Independent Expert, then such Independent Expert shall be selected by any Federal District Court Judge or State District Court Judge in Dallas, Texas. The burden of proof in the determination of the Adjusted Purchase Price shall be upon Purchaser. The Independent Expert shall conduct the arbitration proceedings in Dallas, Texas in accordance with the Commercial Arbitration Rules of the American Arbitration Association, to the extent such rules do not conflict with the terms of this Section. The Independent Expert’s determination shall be made within thirty (30) days after submission of the matters in dispute and shall be final and binding on both parties hereto, without right of appeal. In determining the proper amount of any adjustment to the Purchase Price, the Independent Expert shall not increase the Purchase Price more than the increase proposed by Seller nor decrease the Purchase Price more than the decrease proposed by Purchaser, as applicable. The Independent Expert shall act as an expert for the limited purpose of determining the specific disputed matters submitted by either party hereto and may not award damages or penalties to either party hereto with respect to any matter. Seller and Purchaser shall each bear its own legal fees and other costs of presenting its case. Each party hereto shall bear one-half of the costs and expenses of the Independent Expert. Within ten (10) days after the date on which the parties hereto or the Independent Expert, as applicable, finally determines the disputed matters, (i) Purchaser shall pay to Seller the amount by which the Adjusted Purchase Price exceeds the Closing Payment or (ii) Seller shall pay to Purchaser the amount by which the Closing Payment exceeds the Adjusted Purchase Price, as applicable. Any post-closing payment pursuant to this Section 9.4 shall bear interest from the Closing Date to the date of payment at the Agreed Interest Rate.

(c) All payments made or to be made hereunder to Seller shall be by electronic transfer of immediately available funds to the account of Seller pursuant to the wiring instructions reflected in Schedule 9.4(c). All payments made or to be made hereunder to Purchaser shall be by electronic transfer of immediately available funds to a bank and account specified by Purchaser in writing to Seller.

ARTICLE 10

TERMINATION

Section 10.1 Termination.

Subject to Section 10.2, this Agreement shall be terminated: (i) at any time prior to Closing by the mutual prior written consent of Seller and Purchaser; (ii) by Seller or Purchaser if Closing has not occurred on or before the date that is sixty (60) days from the date hereof (or in the event such date is not a Business Day then the next Business Day immediately following such date) (the “**Termination Date**”); (iii) by Purchaser if any condition set forth in Section 8.2 has not been satisfied or waived at Closing or (iv) by Seller if any condition set forth in Section 8.1 has not been satisfied or waived at Closing; *provided, however*, that termination under clauses (ii), (iii) or (iv) shall not be effective until the party electing to terminate has delivered written notice to the other

party of its election to so terminate and provided, however, that no Party shall have the right to terminate this Agreement pursuant to clauses (ii), (iii) or (iv) above, if such Party or its Affiliates are at such time in material breach of any provision of this Agreement.

Section 10.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 10.1, except as set forth in this Section 10.2 and in Section 10.3, this Agreement shall become void and of no further force or effect (except for the provisions of Sections 5.6, 6.5, 7.6, 11.6, 12.2, 12.4, 12.7, 12.8, 12.9, 12.10 12.11, 12.12, 12.13, 12.14, 12.15, 12.16, 12.17, 12.18, and 12.19 and of the Confidentiality Agreement which shall continue in full force and effect) and Seller shall be free immediately to enjoy all rights of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the Assets to any Person without any restriction under this Agreement. Subject to Section 10.3, the termination of this Agreement under Section 10.1(ii), (iii) or (iv) shall not relieve any party hereto from liability to the other party at Law or in equity for any failure to perform or observe in any material respect any of its agreements or covenants contained herein which are to be performed or observed at or prior to Closing.

Section 10.3 Distribution of Deposit Upon Termination.

(a) If this Agreement is terminated by Seller pursuant to Section 10.1(ii) or Section 10.1(iv) and Seller has performed or is ready, willing and able to perform all of its agreements and covenants contained herein which are to be performed or observed at or prior to Closing, then Seller shall retain the Deposit as liquidated damages as Seller's sole and exclusive remedy for any breach or failure to perform by Purchaser under this Agreement, and all other remedies (except those under Section 7.6 and the Confidentiality Agreement, which shall remain in full force and effect) are hereby expressly waived by Seller. In the event that prior to such termination Purchaser has engaged in any hedging transactions related to the transactions contemplated by this Agreement and entered into on or around the date hereof (including any swaps, puts or similar hedging agreements), then to the extent that at the time of such termination set forth in the first sentence above, such hedging transactions either represent a positive gain in favor of Purchaser or its Affiliate or give rise to an obligation of the other party to such hedging agreement to make a payment to Purchaser or its Affiliate, Purchaser shall pay to Seller, in immediately available funds, an amount equal to the greater of such positive gain or payment (which amount shall be in addition to the Deposit). Notwithstanding anything contained in this Agreement to the contrary, the retention of the Deposit and other remedies provided in this Section 10.3(a) shall be the sole and exclusive remedy of Seller for Purchaser's breach of this Agreement or failure or refusal to close, and Seller expressly waives any and all other remedies, legal and equitable, that it otherwise may have had for Purchaser's breach of this Agreement or failure or refusal to close. Seller and Purchaser agree that the retention of the Deposit constitutes liquidated damages due to the difficulty and inconvenience of measuring actual damages and the uncertainty thereof, and Seller and Purchaser agree that such amount would be a reasonable estimate of Seller's loss in the event of any such breach or failure to perform by Purchaser. Upon such termination, Seller shall be free immediately to enjoy all rights

of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the Assets to any Person without any restriction under this Agreement.

(b) If this Agreement is terminated by Purchaser pursuant to Sections 10.1(ii) or 10.1(iii) and Purchaser has performed or is ready, willing and able to perform all of its agreements and covenants contained herein which are to be performed or observed at or prior to Closing, then at Purchaser's option:

(i) Seller shall return the Deposit to Purchaser and Purchaser shall be entitled to seek money damages from Seller available at Law for Seller's applicable breach of this Agreement, as Purchaser's sole and exclusive remedy for any breach or failure to perform by Seller under this Agreement, and all other remedies (except those under the Confidentiality Agreement, which shall remain in full force and effect) are hereby expressly waived by Purchaser, and Seller shall be free immediately to enjoy all rights of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the Assets to any Person without any restriction under this Agreement; or

(ii) in lieu of termination of this Agreement, Purchaser shall be entitled to specific performance of this Agreement, it being specifically agreed that monetary damages will not be sufficient to compensate Purchaser if Purchaser determines the same in its sole discretion. If Purchaser elects to seek specific performance of this Agreement pursuant to this Section 10.3(b)(ii), the Deposit shall be held by Seller, until a non-appealable final judgment or award on Purchaser's claim for specific performance is rendered, at which time the Deposit shall be distributed as provided in the judgment or award resolving the specific performance claim or shall be applied as provided in Section 2.4 of this Agreement.

(c) If this Agreement terminates for reasons other than those set forth in Section 10.3(a) or Section 10.3(b), Seller shall deliver the Deposit to Purchaser, free of any claims by Seller or any other Person with respect thereto, and each party hereto shall have no further liability hereunder of any nature whatsoever to the other party hereto, including any liability for Damages (except for the provisions of Sections 5.6, 6.5, 7.6 and 12.4 and the Confidentiality Agreement which shall continue in full force and effect in accordance with their terms), and Seller shall be free immediately to enjoy all rights of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the Assets to any Person without any restriction under this Agreement.

(d) Notwithstanding anything to the contrary in this Agreement, Purchaser shall not be entitled to receive interest on the Deposit, regardless of whether the Deposit is applied against the Purchase Price or returned to Purchaser pursuant to this Section 10.3.

ARTICLE 11

POST-CLOSING OBLIGATIONS; INDEMNIFICATION; LIMITATIONS; DISCLAIMERS AND WAIVERS

Section 11.1 **Receipts.**

(a) Except as otherwise provided in this Agreement, any production from or attributable to the Assets (and all products and proceeds attributable thereto) and any other income, proceeds, receipts and credits attributable to the Assets which are not reflected in the adjustments to the Purchase Price following the final adjustment pursuant to Section 9.4(b) shall be treated as follows: (i) all production from or attributable to the Assets (and all products and proceeds attributable thereto) and all other income, proceeds, receipts and credits earned with respect to the Assets to which Purchaser is entitled under Section 1.4 shall be the sole property and entitlement of Purchaser, and, to the extent received by Seller, Seller shall fully disclose, account for and remit the same to Purchaser within ten (10) days, and (ii) all production from or attributable to the Assets (and all products and proceeds attributable thereto) and all other income, proceeds, receipts and credits earned with respect to the Assets to which Seller is entitled under Section 1.4 shall be the sole property and entitlement of Seller and, to the extent received by Purchaser, Purchaser shall fully disclose, account for and remit the same to Seller within ten (10) days.

(b) Notwithstanding any other provisions of this Agreement to the contrary, Seller shall be entitled to retain (and Purchaser shall not be entitled to any decrease to the Purchase Price in respect of) all overhead charges it has collected, billed or which shall be billed later to or from non-Affiliated third parties, relating to the Seller Operated Assets and relating to the period from the Effective Time to the Closing Date.

Section 11.2 **Assumption and Indemnification.**

(a) Without limiting Purchaser's rights to indemnity under this Article 11, on the Closing Date, Purchaser shall assume and hereby agrees to timely fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) all of the obligations and liabilities of Seller, known or unknown, with respect to the Assets, regardless of whether such obligations or liabilities arose prior to, on or after the Effective Time, including but not limited to (1) obligations to furnish makeup gas according to the terms of applicable gas sales, gathering or transportation contracts, (2) gas balancing obligations and other obligations arising from Imbalances, (3) obligations to pay Property Costs, (4) obligations to pay working interests, royalties, overriding royalties and other interests held in suspense, including the Suspended Proceeds, (5) obligations to plug or abandon wells and associated equipment and dismantle structures, and to restore and/or remediate the Assets in accordance with applicable agreements, Leases or Laws (including Environmental Laws), (6) any claims regarding the general method, manner or practice of calculating or making royalty payments (or payments for overriding royalties or similar burdens on production) with respect to the Properties and (7) continuing obligations, if any, under any Contracts or other agreements pursuant to which Seller or its Affiliates purchased or acquired Assets prior to the Closing (all of said obligations and liabilities, subject to the exclusions below, herein being referred to as the "**Assumed Obligations**"); *provided, however*, that the Assumed Obligations do not include and Purchaser does not assume any obligations or liabilities of Seller to the extent that they are Seller Indemnity Obligations.

(b) Except for Damages for which Seller is required to indemnify Purchaser Indemnitees under Section 11.2(c) at the time an applicable Claim Notice is provided to Seller, Purchaser shall indemnify, defend and hold harmless Seller Indemnitees from and against all Damages incurred or suffered by Seller Indemnitees to the extent:

(i) caused by, arising out of, resulting from or relating to the Assumed Obligations;

(ii) caused by, arising out of or resulting from Purchaser's breach of any of Purchaser's covenants or agreements that survive the Closing;

(iii) caused by, arising out of or resulting from any breach of any representation or warranty made by Purchaser contained in Article 6 of this Agreement or in the certificate delivered by Purchaser at Closing pursuant to Section 9.3(f), *provided, however*, that solely for purposes of this Section 11.2(b), any representation or warranty of Purchaser set forth in this Agreement that is qualified by "materiality" or "Material Adverse Effect" shall be deemed not to be so qualified; or

(iv) caused by, arising out of or resulting from any claims or actions asserted by Persons (including Governmental Bodies) with respect to (1) any condition affecting any Asset that violates or requires remediation under Environmental Law, (2) any operations conducted on such Asset that violate any Environmental Law or (3) any remediation required for an Asset under any Environmental Law regardless of whether known or unknown, or whether attributable to periods of time before, on or after the Effective Time.

EVEN IF SUCH DAMAGES ARE CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), STRICT LIABILITY OR OTHER LEGAL FAULT OF SELLER INDEMNITEES OR ANY INDEMNIFIED PERSON EXCLUDING, HOWEVER, ANY DAMAGES CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY INDEMNIFIED PERSON.

(c) Seller shall jointly and severally indemnify, defend and hold harmless Purchaser Indemnitees against and from all Damages incurred or suffered by Purchaser Indemnitees to the extent (the "**Seller Indemnity Obligations**");

(i) caused by, arising out of or resulting from any breach asserted during the applicable survival period of any of Seller's covenants or agreements that survive the Closing;

(ii) caused by, arising out of or resulting from any breach asserted during the applicable survival period of any representation or warranty made by Seller contained in Article 5 of this Agreement or in the certificate delivered by Seller at Closing pursuant to Section 9.2(d); *provided, however*, that solely for purposes of

this Section 11.2(c), any representation or warranty of Seller set forth in this Agreement that is qualified by “materiality” or “Material Adverse Effect” shall be deemed not to be so qualified;

(iii) directly caused by or arising out of any matter listed on Schedule 5.7;

(iv) caused by, arising out of, resulting from or related to the Excluded Assets;

(v) attributable to any obligations to Seller’s employees (related to their employment with Seller), Affiliates (except operating expenses) and officers, in each case attributable to the period from and after the Effective Time, incurred in the ordinary course of business and consistent with past practice;

(vi) any obligations under employment contracts or retention, severance, termination, separation or incentive compensation with respect to Seller’s employees, Affiliates or officers;

(vii) attributable to any personal injury or death relating to Seller’s ownership, use or operation of the Assets that occurs prior to the Closing Date to the extent a claim is asserted prior to the second anniversary of the Closing Date; or

(viii) attributable to liabilities and obligations for royalties, taxes and Imbalances that are attributable to or arise out of Seller’s ownership, use or operation of the Assets prior to the Effective Time to the extent a claim is asserted during the period of one hundred eighty (180) days counted from and after the Closing Date (including such one hundred eightieth (180th) day).

(d) Notwithstanding anything to the contrary contained in this Agreement, except for the rights of the parties hereto under Article 10, Section 7.6 and the Special Warranty in the Conveyance (subject to Section 7.9), this Section 11.2 contains the parties’ exclusive remedy against each other with respect to breaches of this Agreement, including breaches of the representations and warranties contained in Articles 5 and 6, the covenants and agreements that survive the Closing pursuant to the terms of this Agreement and the affirmations of such representations, warranties, covenants and agreements contained in the certificate delivered by each party at Closing pursuant to Sections 9.2(d) or 9.3(f), as applicable. Except for the remedies contained in this Section 11.2 and for the rights of the parties hereto under Article 10, Section 7.6 and the Special Warranty in the Conveyance (subject to Section 7.9), Purchaser (on behalf of itself, each of the other Purchaser Indemnitees and their respective insurers and successors in interest) releases, remises and forever discharges the Seller Indemnitees from any and all suits, legal or administrative proceedings, claims, remedies, demands, damages, losses, costs, liabilities, interest, or causes of action whatsoever, in Law or in equity, known or unknown, which such parties might now or subsequently may have, based on, relating to or arising out of this Agreement, Seller’s or Seller’s predecessor’s or their respective co-owner’s ownership, use or operation of the Assets, or the condition, quality, status or nature of the Assets, including rights to

contribution under the CERCLA, as amended, and under other Environmental Laws, breaches of statutory or implied warranties, nuisance or other tort actions, rights to punitive damages and common law rights of contribution, rights under agreements between Seller and any Persons who are Affiliates of Seller, and rights under insurance maintained by Seller or any Person who is an Affiliate of Seller, **EVEN IF CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT, BUT EXCLUDING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), OF ANY RELEASED PERSON**, excluding, however, any existing contractual rights between (i) Purchaser or any of Purchaser's Affiliates and (ii) Seller or any of Seller's Affiliates under contracts between them relating to the Assets, other than this Agreement.

(e) "**Damages**", for purposes of this Agreement, shall mean the amount of any actual liability, loss, cost, diminution in value, expense, claim, demand, notice of violation, investigation by any Governmental Body, administrative proceeding, payment, charge, obligation, fine, penalty, deficiency, award or judgment incurred or suffered by any Indemnified Party arising out of or resulting from the indemnified matter, including reasonable fees and expenses of attorneys, consultants, accountants or other agents and experts reasonably incident to matters indemnified against, and the costs of investigation and/or monitoring of such matters, and the costs of enforcement of the indemnity; *provided, however*, that no Purchaser Indemnitee shall be entitled to indemnification under this Section 11.2 for Damages that constitute (i) loss of profits or other consequential or indirect damages suffered by Purchaser, or any punitive damages, or (ii) any liability, loss, cost, expense, claim, award or judgment to the extent resulting from or increased by the actions or omissions of any Purchaser Indemnitee after the Effective Time.

(f) Any claim for indemnity to which a Seller Indemnitee or Purchaser Indemnitee is entitled must be asserted by and through Seller or Purchaser, as applicable.

Section 11.3 **Indemnification Actions**.

Except as otherwise provided in Section 7.8(d), all claims for indemnification under Section 11.2 shall be asserted and resolved as follows:

(a) For purposes of this Article 11, the term "**Indemnifying Party**" when used in connection with particular Damages shall mean the party or parties hereto having an obligation to indemnify another party or parties with respect to such Damages pursuant to this Article 11, and the term "**Indemnified Party**" when used in connection with particular Damages shall mean the Person or Persons having the right to be indemnified with respect to such Damages by another party or parties pursuant to this Article 11.

(b) To make a claim for indemnification under Article 11, an Indemnified Party shall notify the Indemnifying Party of its claim under this Section 11.3, including the specific details of and specific basis under this Agreement for its claim (the "**Claim Notice**"). In the event that the claim for indemnification is based upon a claim by a third party against the Indemnified Party (a "**Third Party Claim**"), the Indemnified Party shall provide its Claim Notice promptly after the Indemnified Party has actual knowledge of the Third Party

Claim and shall enclose a copy of all papers (if any) served with respect to the Third Party Claim; provided that the failure of any Indemnified Party to give notice of a Third Party Claim as provided in this Section 11.3 shall not relieve the Indemnifying Party of its obligations under Section 11.2 except to the extent such failure prejudices the Indemnifying Party's ability to defend against the Third Party Claim. In the event that the claim for indemnification is based upon an inaccuracy or breach of a representation, warranty, covenant or agreement, the Claim Notice shall specify the representation, warranty, covenant or agreement which was inaccurate or breached.

(c) In the case of a claim for indemnification based upon a Third Party Claim, the Indemnifying Party shall have fourteen (14) days from its receipt of the Claim Notice to notify the Indemnified Party whether it admits or denies its liability to defend the Indemnified Party against such Third Party Claim at the sole cost and expense of the Indemnifying Party. The Indemnified Party is authorized, prior to and during such fourteen (14)-day period, to file any motion, answer or other pleading that it shall deem necessary or appropriate to protect its interests or those of the Indemnifying Party and that is not prejudicial to the Indemnifying Party all costs of which shall be included as Damages in respect of such claim for indemnification. The failure to provide notice to the Indemnified Party shall be deemed to be acceptance of liability.

(d) If the Indemnifying Party admits its liability, it shall have the right and obligation to diligently defend, at its sole cost and expense, the Third Party Claim. The Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof. If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate, at the sole cost of the Indemnifying Party, in contesting any Third Party Claim which the Indemnifying Party elects to contest. The Indemnified Party may participate in, but not control, at its sole cost without any right of reimbursement, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this Section 11.3(d). Irrespective of whether the Indemnified Party elects to participate in contesting a Third Party Claim subject to this Section 11.3(d) in accordance with the foregoing sentence, the Indemnifying Party at its sole cost and expense shall provide to the Indemnified Party the following information with respect to the Third Party Claim: all filings made by any party; all written communications exchanged between any parties; and all orders, opinions, rulings or motions. The Indemnifying Party shall deliver the foregoing items to the Indemnified Party promptly after they become available to the Indemnifying Party. An Indemnifying Party shall not, without the written consent of the Indemnified Party (which shall not be unreasonably withheld, conditioned or delayed), (i) settle any Third Party Claim or consent to the entry of any judgment with respect thereto which does not include an unconditional written release of the Indemnified Party from all liability in respect of such Third Party Claim or (ii) settle any Third Party Claim or consent to the entry of any judgment with respect thereto in any manner that may materially and adversely affect the Indemnified Party (other than as a result of money damages paid by the Indemnifying Party or covered fully by the indemnity).

(e) If the Indemnifying Party does not admit its liability or admits its liability but fails to diligently prosecute or settle the Third Party Claim, then the Indemnified Party shall have the right to defend against the Third Party Claim at the sole cost and expense of the Indemnifying Party, with counsel of the Indemnified Party's choosing, subject to the right of the Indemnifying Party to admit its liability and assume the defense of the Third Party Claim at any time prior to settlement or final determination thereof. If the Indemnifying Party has not yet admitted its liability for a Third Party Claim, the Indemnified Party shall send written notice to the Indemnifying Party of any proposed settlement and the Indemnifying Party shall have the option for ten (10) days following receipt of such notice to (i) admit in writing its liability for the Third Party Claim and (ii) if liability is so admitted, reject, in its reasonable judgment, the proposed settlement. If Indemnifying Party fails to respond and admit in writing its liability during such ten (10) day period, the Indemnifying Party will be deemed to have approved such proposed settlement.

(f) In the case of a claim for indemnification not based upon a Third Party Claim, the Indemnifying Party shall have thirty (30) days from its receipt of the Claim Notice to (i) cure or remedy the Damages complained of, (ii) admit its liability for such Damages or (iii) dispute the claim for such Damages. If the Indemnifying Party does not notify the Indemnified Party within such 30-day period that it has cured or remedied the Damages or that it disputes the claim for such Damages, the Indemnifying Party shall be deemed to have disputed the claim for such Damages.

Section 11.4 **Limitation on Actions.**

(a) All representations and warranties of Seller and Purchaser contained herein shall survive until the date that is one hundred eighty (180) days counted from and after the Closing Date (including such one hundred eightieth (180th) day) and expire thereafter, except for the representations and warranties set forth in Sections 5.2, 5.3, 5.4, 5.6 and 5.8 which shall survive the Closing indefinitely. The covenants and other agreements of Seller and Purchaser set forth in this Agreement to be performed on or before Closing shall expire on the day following the Closing Date and each other covenant and agreement of Seller and Purchaser shall, subject to this Section 11.4, survive the Closing until fully performed in accordance with its terms and expire thereafter. The affirmations of representations, warranties, covenants and agreements contained in the certificate delivered by each party hereto at Closing pursuant to Sections 9.2(g) and 9.3(f), as applicable, shall survive the Closing as to each representation, warranty covenant and agreement so affirmed for the same period of time that the specific representation, warranty, covenant or agreement survives the Closing pursuant to this Section 11.4, and shall expire thereafter. Representations, warranties, covenants and agreements shall terminate and be of no further force and effect after the respective date of their expiration, after which time no claim may be asserted thereunder by any Person, provided that there shall be no termination of any bona fide claim asserted pursuant to Section 11.4(c).

(b) The indemnities in Sections 11.2(b)(ii), 11.2(b)(iii), 11.2(c)(i) and 11.2(c)(ii) shall terminate as of the termination date of each respective representation, warranty,

covenant or agreement that is subject to indemnification, except in each case as to matters for which a specific written claim for indemnity has been delivered to the Indemnifying Party on or before such termination date. Purchaser's indemnities in Sections 7.6, 11.2(b)(i), and 11.2(b)(iv) shall continue without time limit. The indemnities in Section 11.2(c) shall terminate as set forth therein or on the dates set forth below, to the extent applicable.

(c) Notwithstanding anything to the contrary contained elsewhere in this Agreement, except for claims for breaches of the Special Warranty and any payments in respect thereof:

(i) Seller shall not be required to indemnify any Person under Section 11.2(c)(ii) for any individual liability, loss, cost, expense, claim, award or judgment that does not exceed Seventy-five Thousand Dollars (\$75,000), except for Damages directly arising from claims for breaches of Sections 5.2, 5.3, 5.4, 5.6 or 5.8;

(ii) Subject to Section 11.4(c)(i), Seller shall not have any liability for indemnification under Section 11.2(c)(ii) (except for Damages directly arising from claims for breaches of Sections 5.2, 5.3, 5.4, 5.6 or 5.8) until and unless the aggregate amount of the liability for all Damages for which Claim Notices are timely delivered by Purchaser exceeds a deductible amount equal to two percent (2%) of the Purchase Price (the "**Indemnity Deductible**"), after which point Purchaser (or Purchaser Indemnitees) shall be entitled to claim Damages in excess of the Indemnity Deductible; and

(iii) Seller shall not be required to indemnify Purchaser and Purchaser Indemnitees for aggregate Damages under Section 11.2(c)(ii) in excess of fifteen percent (15%) of the Purchase Price, except for Damages directly arising from claims for breaches of Sections 5.2, 5.3, 5.4, 5.6 or 5.8.

(iv) Seller shall not be required to indemnify any Person under Section 11.2(c)(ii) unless Seller has received a Claim Notice with respect to such claim at or prior to the date that is one hundred eighty (180) days counted from and after the Closing Date (including such one hundred eightieth (180th) day), except for Claim Notices delivered after such time period relating to claims for breaches of Sections 5.2, 5.3, 5.4, 5.6 or 5.8 but only to the extent relating to breaches of such Sections.

(d) Seller and Purchaser acknowledge that after the Closing the payment of money, as limited by the terms of this Agreement, shall be adequate compensation for breach of any representation, warranty, covenant or agreement contained in this Agreement or for any other claim arising in connection with or with respect to the transactions contemplated in this Agreement. As the payment of money shall be adequate compensation, Purchaser and Seller waive any right to rescind this Agreement or any of the transactions contemplated hereby.

(e) Notwithstanding anything to the contrary stated in this Agreement, Purchaser's obligation to indemnify Seller Indemnitees with respect to the Assumed

Liabilities shall not extend to any amount actually received by Seller from an indemnification from a non-Affiliated third party. The amount of any Damages for which an Indemnified Person is entitled to indemnity under this Agreement shall be reduced by the amount of insurance proceeds realized by the Indemnified Party or its Affiliates with respect to such Damages. From and until the second anniversary of the Closing Date, Seller shall use commercially reasonable efforts to notify its insurers of any potential claim for which Purchaser (pursuant to the terms of this Agreement) may be required to indemnify Seller and with respect to which Seller reasonably believes is covered by its insurance with such insurer; *provided, however*, that Seller shall have no obligations to take any action with its insurers beyond such notification and notwithstanding anything to the contrary contained herein, should Seller for any reason fail to deliver such notice to its insurers, such failure shall have no impact on Purchaser's obligation to indemnify Seller which shall in no way be conditioned upon Seller's delivery or failed delivery of such notice.

Section 11.5 **Recording.**

As soon as practicable after Closing, Purchaser shall record the Conveyances in the appropriate counties or parishes as well as the appropriate governmental agencies and provide Seller with copies of all recorded or approved instruments.

Section 11.6 **Waivers.**

(a) It is the intention of the parties hereto that Purchaser's rights and remedies with respect to this transaction and with respect to all acts or practices of Seller, past, present or future, in connection with this transaction shall be governed by legal principles other than the Texas Deceptive Trade Practices-Consumer Protection Act, Subchapter E of Chapter 17, Sections 17.41 et seq., of the Texas Business and Commerce Code, as amended (the "**DTPA**") or the Louisiana unfair trade practices and consumer protection law, La.R.S. 51:1401, et seq. (the "**UTPCPL**"). As such, Purchaser hereby waives the applicability of the DTPA and the UTPCPL to this transaction and any and all duties, rights or remedies that might be imposed by the DTPA or the UTPCPL, whether such duties, rights and remedies are applied directly by the DTPA or the UTPCPL themselves or indirectly in connection with other statutes. Purchaser acknowledges, represents and warrants that it is purchasing the goods and/or services covered by this Agreement for commercial or business use; that it has assets of Five Million and No/100 Dollars (\$5,000,000.00) or more according to its most recent financial statement prepared in accordance with GAAP; that it has knowledge and experience in financial and business matters that enable it to evaluate the merits and risks of a transaction such as this; and that it is not in a significantly disparate bargaining position with Seller.

(b) Purchaser expressly recognizes that the price for which Seller has agreed to perform its obligations under this Agreement has been predicated upon the inapplicability of the DTPA and the UTPCPL and this waiver of the DTPA and the UTPCPL. Purchaser further recognizes that Seller, in determining to proceed with the entering into of this Agreement, has expressly relied on this waiver and the inapplicability of the DTPA and the UTPCPL.

(c) Purchaser waives all rights in redhibition pursuant to Louisiana Civil Code 2475 and 2520 through 2548, and acknowledges that this express waiver shall be considered a material and integral part of this sale and the consideration thereof. Purchaser acknowledges that this waiver has been brought to its attention and has been explained in detail and that Purchaser has voluntarily and knowingly consented to this waiver of warranty of fitness and warranty against redhibitory vices and defects for the Assets.

(d) To the extent applicable to the Assets or any portion thereof, Purchaser hereby waives the provisions of the UTPCPL. Purchaser warrants and represents that it: (i) is experienced and knowledgeable with respect to the oil and gas industry generally and with transactions of this type specifically; (ii) possesses ample knowledge, experience and expertise to evaluate independently the merits and risks of the transactions herein contemplated; and (iii) is not in a significantly disparate bargaining position.

(e) The parties hereto do not intend that any implied obligation of good faith or fair dealing requires any party hereto to incur, suffer or perform any act, condition or obligation contrary to the terms of this Agreement or any documents delivered in connection herewith and that it would be unfair, and that they do not intend, to increase any of the obligations of any party under this Agreement or any documents delivered in connection herewith on the basis of any such implied obligation.

(f) Purchaser acknowledges that plugging, abandonment, removal and restoration obligations for the Assets are material and significant. Purchaser acknowledges that Purchaser has conducted its own investigation and evaluation as to the cost and timing of such obligations and that, other than the representations and warranties set forth in this Agreement, Seller has made no representation or warranty as to the expected cost or timetable for incurring costs of plugging, abandonment, removal and restoration obligations for the Assets. Purchaser acknowledges that Seller is entering into this Agreement in reliance upon Purchaser's agreement to assume such obligations and all other Assumed Obligations and that assumption of the Assumed Obligations constitutes material agreed consideration to Seller in consideration for the Assets.

Section 11.7 **Tax Treatment of Indemnification Payments.**

The parties hereto agree that any payments made by one party to the other party pursuant to this Article 11 shall be treated for all Tax purposes as an adjustment to the purchase price for the Assets unless otherwise required by applicable Law.

ARTICLE 12

MISCELLANEOUS

Section 12.1 **Counterparts.**

This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement. Delivery of an

Purchaser shall bear any sales, use, excise, real property transfer, gross receipts, goods and services, registration, capital, documentary, stamp or transfer Taxes, recording fees and similar Taxes and fees incurred and imposed upon, or with respect to, the property transfers or other transactions contemplated hereby (“**Transfer Taxes**”). Seller will determine, and Purchaser agrees to cooperate with Seller in determining, Transfer Taxes, if any, that applicable law requires Seller to collect from Purchaser in connection with the sale of Assets hereunder, and Purchaser agrees to pay any such tax to Seller at Closing; provided, however, that Seller’s failure to collect any such Transfer Taxes at Closing shall not absolve Purchaser from Purchaser’s responsibility for such Transfer Taxes. If such transfers or transactions are exempt from any such Taxes or fees upon the filing of an appropriate certificate or other evidence of exemption, Purchaser will timely furnish to Seller such certificate or evidence.

Section 12.4 **Expenses.**

Except as provided in Section 12.3, all expenses incurred by Seller in connection with or related to the authorization, preparation or execution of this Agreement, the conveyances delivered hereunder and the Exhibits and Schedules hereto and thereto, and all other matters related to the Closing, including all fees and expenses of counsel, accountants and financial advisers employed by Seller, shall be borne solely and entirely by Seller, and all such expenses incurred by Purchaser shall be borne solely and entirely by Purchaser.

Section 12.5 **Change of Name.**

Unless otherwise authorized by Seller in writing, as promptly as practicable, but in any case within thirty (30) days after the Closing Date, Purchaser shall eliminate the name “Hunt Oil” and any variants thereof from the Assets acquired pursuant to this Agreement and, except with respect to such grace period for eliminating existing usage, shall have no right to use any logos, trademarks or trade names belonging to Seller or any of its Affiliates.

Section 12.6 **Replacement of Bonds, Letters of Credit and Guarantees.**

The parties hereto understand that none of the bonds, letters of credit and guarantees, if any, posted by Seller with Governmental Bodies and relating to the Assets are to be transferred to Purchaser. On or before Closing, Purchaser shall obtain, or cause to be obtained in the name of Purchaser, replacements for such bonds, letters of credit and guarantees to the extent set forth on Schedule 5.19 as necessary to permit the cancellation of the bonds, letters of credit and guarantees posted by Seller or to consummate the transactions contemplated by this Agreement. Purchaser may also provide evidence that such replacements are not necessary as a result of existing bonds, letters of credit or guarantees that Purchaser has previously posted as long as such existing bonds, letters of credit or guarantees are adequate to secure the release of those posted by Seller.

Section 12.7 **Governing Law and Venue.**

This Agreement and the legal relations between the parties hereto shall be governed by and construed in accordance with the Laws of the State of Texas without regard to principles of conflicts

of Law that would direct the application of the Law of another jurisdiction. The venue for any action brought under this Agreement shall be Dallas County, Texas.

Section 12.8 Jurisdiction; Waiver of Jury Trial.

Each party hereto consents to personal jurisdiction in any action brought in the United States federal courts located within Dallas County, Texas (or, if jurisdiction is not available in the United States federal courts, to personal jurisdiction in any action brought in the state courts located in Dallas County, Texas) with respect to any dispute, claim or controversy arising out of or in relation to or in connection with this Agreement, and each of the parties hereto agrees that any action instituted by it against the other with respect to any such dispute, controversy or claim (except to the extent a dispute, controversy, or claim arising out of or in relation to or in connection with the determination of a Title Defect Amount or Title Benefit Amount pursuant to Section 3.4(h), or the determination of Purchase Price adjustments pursuant to Section 9.4(b) is referred to an expert pursuant to those Sections) will be instituted exclusively the United States federal courts located within Dallas County, Texas (or, if jurisdiction is not available in the United States federal courts, to personal jurisdiction in any action brought in the state courts located in Dallas County, Texas). The parties hereto hereby waive trial by jury in any action, proceeding or counterclaim brought by any party against another in any matter whatsoever arising out of or in relation to or in connection with this Agreement.

Section 12.9 Captions.

The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

Section 12.10 Waivers.

Any failure by any party or parties hereto to comply with any of its or their obligations, agreements or conditions herein contained may be waived in writing, but not in any other manner, by the party or parties to whom such compliance is owed. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 12.11 Assignment.

No party hereto shall assign all or any part of this Agreement, nor shall any party hereto assign or delegate any of its rights or duties hereunder, without the prior written consent of the other party and any assignment or delegation made without such consent shall be void.

Section 12.12 Entire Agreement.

This Agreement and the documents to be executed hereunder and the Exhibits and Schedules attached hereto, together with the Confidentiality Agreement, constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties hereto pertaining

to the subject matter hereof. In the event of a conflict between the Confidentiality Agreement and this Agreement, the terms and provisions of this Agreement shall prevail.

Section 12.13 **Amendment.**

(a) This Agreement may be amended or modified only by an agreement in writing executed by both parties hereto.

(b) No waiver of any right under this Agreement shall be binding unless executed in writing by the party hereto to be bound thereby.

Section 12.14 **No Third-Party Beneficiaries.**

Nothing in this Agreement shall entitle any Person other than Purchaser and Seller to any claims, cause of action, remedy or right of any kind, except the rights expressly provided to the Persons described in Section 11.2(f).

Section 12.15 **Public Announcements.**

The parties hereto acknowledge and agree that no press release or other public announcement, or public statement or comment in response to any inquiry, relating to the subject matter of this Agreement shall be issued or made by Seller or Purchaser, or their respective Affiliates, without the joint written approval of Seller and Purchaser; provided that, a press release or other public announcement, or public statement or comment in response to any inquiry, made without such joint approval shall not be in violation of this Section if it is (i) made in order for the disclosing party or any of its Affiliates to comply with applicable Laws or stock exchange rules or regulations or (ii) made in the form attached hereto as Exhibit D.

Section 12.16 **Invalid Provisions.**

If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future Laws effective during the term hereof, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be effected by the illegal, invalid or unenforceable provision or by its severance from this Agreement.

Section 12.17 **References.**

In this Agreement:

- (a) References to any gender includes a reference to all other genders;
- (b) References to the singular includes the plural, and vice versa;
- (c) Reference to any Article or Section means an Article or Section of this Agreement;

(d) Reference to any Exhibit or Schedule means an Exhibit or Schedule to this Agreement, all of which are incorporated into and made a part of this Agreement;

(e) Unless expressly provided to the contrary, “hereunder”, “hereof”, “herein” and words of similar import are references to this Agreement as a whole and not any particular Section or other provision of this Agreement; and

(f) “Include” and “including” shall mean include or including without limiting the generality of the description preceding such term.

Section 12.18 **Construction.**

Each of Seller and Purchaser has had substantial input into the drafting and preparation of this Agreement and has had the opportunity to exercise business discretion in relation to the negotiation of the details of the transaction contemplated hereby. This Agreement is the result of arm’s-length negotiations from equal bargaining positions.

Section 12.19 **Limitation on Damages.**

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NONE OF PURCHASER, SELLER OR ANY OF THEIR RESPECTIVE AFFILIATES OR INDEMNITEES SHALL BE ENTITLED TO EITHER PUNITIVE OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY AND EACH OF PURCHASER AND SELLER, FOR ITSELF AND ON BEHALF OF ITS AFFILIATES AND INDEMNITEES, HEREBY EXPRESSLY WAIVES ANY RIGHT TO PUNITIVE OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY, EXCEPT TO THE EXTENT AN INDEMNIFIED PARTY IS REQUIRED TO PAY PUNITIVE OR CONSEQUENTIAL DAMAGES TO A THIRD PARTY THAT IS NOT AN INDEMNIFIED PARTY.

Section 12.20 **Seller Representative.**

Each Seller hereby appoints and designates HOC (“**Seller Representative**”) as its exclusive agent and representative with full power and authority to (i) give and receive all notices on behalf of Seller required under or made pursuant to this Agreement, including without limitation all notices in respect of Title Defects or Title Benefits and notices in respect of termination hereunder, (ii) negotiate and agree to, or settle disputes before the Title Arbitrator, as applicable, all adjustments to the Purchase Price and the final calculation of the Adjusted Purchase Price, (iii) negotiate and agree to, settle disputes in respect of, as applicable, all claims for Title Defects and Title Benefits, (iv) negotiate and agree to, settle disputes in respect of, as applicable, all claims for Environmental Liabilities, (v) receive all amounts paid by Purchaser at Closing, (vi) make, receive, negotiate, litigate and settle post-Closing claims for indemnification hereunder, and (vii) take any other actions which a Seller is otherwise entitled to take under this Agreement or under any agreement or instrument executed in connection with the transactions contemplated hereby. Purchaser is entitled to rely on the designation and authority made herein with respect to each Seller, whether rescinded

or revoked unless Purchaser has received written notice from a Seller expressly stating that such designation or authority as to such Seller has been rescinded or revoked, and Seller has consented to such revocation (which consent shall not be unreasonably withheld). The designation and appointment of Seller Representative shall be coupled with an interest. Seller Representative shall indemnify and hold harmless Purchaser from any Damages resulting from claims that the exercise by Seller Representative of any power granted in this Section is not authorized (excluding claims related to a revocation of authority provided in this paragraph to which Purchaser consented).

ARTICLE 13

DEFINITIONS

“**Adjusted Purchase Price**” has the meaning set forth in Section 2.1.

“**Adjustment Period**” has the meaning set forth in Section 2.2(a).

“**Affiliates**” with respect to any Person, means any Person that directly or indirectly controls, is controlled by or is under common control with such Person.

“**Agreed Interest Rate**” shall mean simple interest computed at the rate of the prime interest rate as published in the Wall Street Journal.

“**Agreement**” has the meaning set forth in the first paragraph of this Agreement.

“**Allocated Value**” has the meaning set forth in Section 2.3.

“**Assessment**” has the meaning set forth in Section 4.1.

“**Assets**” has the meaning set forth in Section 1.2.

“**Assumed Obligations**” has the meaning set forth in Section 11.2(a).

“**Bayou Dorcheat Gathering System**” means that certain gathering system and associated facilities located in Webster and Claiborne Parishes, Louisiana which are subject to that certain Bayou Dorcheat Gathering System Ownership and Operating Agreement by and among Marathon Oil Company and the other parties thereto.

“**Business Day**” means each calendar day except Saturdays, Sundays, and Federal holidays.

“**Claim Notice**” has the meaning set forth in Section 11.3(b).

“**Closing**” has the meaning set forth in Section 9.1(a).

“**Closing Date**” has the meaning set forth in Section 9.1(b).

“**Closing Payment**” has the meaning set forth in Section 9.4(a).

“**Code**” has the meaning set forth in Section 2.3.

“**Confidentiality Agreement**” means that certain Confidentiality Agreement between Seller and Vanguard Natural Resources, LLC, a Delaware limited liability company dated June 30, 2014.

“**Contracts**” has the meaning set forth in Section 1.2(d).

“**Conveyance**” has the meaning set forth in Section 3.1(b).

“**COPAS**” has the meaning set forth in Section 1.4(b).

“**Cotton Valley Gas Plant**” means that certain plant and associated facilities located in Webster Parish, Louisiana as authorized under that certain Cotton Valley Unitization and Pressure Maintenance Agreement, a counter-part of which is filed in the Conveyance Records of Webster Parish, Louisiana under Register No. 75063, and operated pursuant to that certain Operating Contract dated effective April 1, 1976, by and between Marathon Oil Company and Cotton Valley Operators, as amended, together with any land associated therewith.

“**Cure Period**” has the meaning set forth in Section 3.4(c).

“**Damages**” has the meaning set forth in Section 11.2(e).

“**Defect Deductible**” has the meaning set forth in Section 3.4(i).

“**Defensible Title**” has the meaning set forth in Section 3.2(a).

“**Deposit**” has the meaning set forth in Section 2.4.

“**DTPA**” has the meaning set forth in Section 11.6.

“**Effective Time**” has the meaning set forth in Section 1.4.

“**Environmental Arbitrator**” has the meaning set forth in Section 4.4.

“**Environmental Claim Date**” has the meaning set forth in Section 4.3.

“**Environmental Consultant**” has the meaning set forth in Section 4.1.

“**Environmental Defect Notice**” has the meaning set forth in Section 4.3.

“**Environmental Laws**” means, as the same have been amended as of the Effective Time, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 *et seq.* (“**CERCLA**”); the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.* (“**RCRA**”); the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.* (the “**Clean Water Act**”); the Clean Air Act, 42 U.S.C. § 7401 *et seq.* the Hazardous Materials Transportation Act, 49 U.S.C. § 1471 *et seq.*; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629 (“**TSCA**”); the Oil Pollution Act, 33 U.S.C. § 2701 *et seq.*; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 *et seq.*; and the Safe Drinking Water Act, 42 U.S.C. §§ 300f through

300j; and all Laws as of the Effective Time of any Governmental Body having jurisdiction over the property in question addressing pollution or protection of the environment and all regulations implementing the foregoing. Notwithstanding the foregoing, the phrase “violation of Environmental Laws” and words of similar import used herein shall mean, as to any given Asset, the violation of or failure to meet specific objective requirements or standards that are clearly applicable to such Asset under applicable Environmental Laws where such requirements or standards are in effect as of the Effective Time. The phrase does not include good or desirable operating practices or standards that may be employed or adopted by other oil or gas well operators or recommended by a Governmental Body.

“**Environmental Liabilities**” shall mean any and all environmental response costs (including costs of remediation), Damages, natural resource damages, settlements, consulting fees, expenses, penalties, fines, orphan share, prejudgment and post-judgment interest, court costs, attorneys’ fees, and other liabilities incurred or imposed (i) pursuant to any order, notice of responsibility, directive (including requirements embodied in Environmental Laws), injunction, judgment or similar act (including settlements) by any Governmental Body to the extent arising out of any violation of any Environmental Law which is attributable to the ownership or operation of the Properties prior to the Effective Time or (ii) pursuant to any claim or cause of action by a Governmental Body or other Person for personal injury, property damage, damage to natural resources to the extent arising out of any violation of any Environmental Law to the extent attributable to the ownership or operation of the Properties prior to the Effective Time, provided that Environmental Liabilities excludes any of the foregoing liabilities to the extent caused by or relating to NORM or otherwise disclosed in any Schedule.

“**Equipment**” has the meaning set forth in Section 1.2(f).

“**Excluded Assets**” has the meaning set forth in Section 1.3.

“**Fairway Gas Plant**” means that certain plant and associated facilities located in Anderson and Henderson Counties, Texas constructed pursuant to that certain Agreement for Construction and Operation of the Fairway Gas Plant Anderson and Henderson Counties, Texas dated as of May 9, 1962, as amended, together with any land associated therewith.

“**Gas Plants**” means collectively, the Fairway Gas Plant and the Cotton Valley Gas Plant.

“**GAAP**” means United States generally accepted accounting principles.

“**Governmental Authorizations**” has the meaning set forth in Section 5.13.

“**Governmental Body**” means any federal, state, local, municipal, or other governments; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; and any court or governmental tribunal.

“**Hydrocarbons**” means oil, gas, condensate and other gaseous and liquid hydrocarbons or any combination thereof, including scrubber liquid inventory and ethane, propane, isobutene, nor-

butane and gasoline inventories (excluding tank bottoms), and sulphur and other minerals extracted from or produced from the foregoing hydrocarbons.

“**Imbalance**” means any over-production, under-production, over-delivery, under-delivery or similar imbalance of Hydrocarbons produced from or allocated to the Assets, regardless of whether such imbalance arises at the platform, wellhead, pipeline, gathering system, transportation system, processing plant or other location.

“**Indemnified Party**” has the meaning set forth in Section 11.3(a).

“**Indemnifying Party**” has the meaning set forth in Section 11.3(a).

“**Indemnity Deductible**” has the meaning set forth in Section 11.4(c)(ii).

“**Independent Expert**” has the meaning set forth in Section 9.4(b).

“**Index Price**” means (i) with respect to gas, NYMEX Henry Hub natural gas futures prompt month contract settle price for the indicated business day, and (ii) with respect to oil, the NYMEX prompt month contract settle price for the indicated business day.

“**Individual Defect Deductible**” has the meaning set forth in Section 3.4(i).

“**Lands**” has the meaning set forth in Section 1.2(a).

“**Laws**” means all statutes, rules, regulations, ordinances, orders, and codes of Governmental Bodies.

“**Leases**” has the meaning set forth in Section 1.2(a).

“**Lowest Cost Response**” means the response required or allowed under Environmental Laws that cures, remediates, removes or remedies the applicable present condition alleged pursuant to an Environmental Defect Notice at the lowest cost (considered as a whole taking into consideration any material negative impact such response may have on the operations of the relevant Assets and any potential material additional costs or liabilities that may likely arise as a result of such response) sufficient to comply with Environmental Laws as compared to any other response that is required or allowed under Environmental Laws.

“**Material Adverse Effect**” means any adverse effect on the ownership, operation or value of the Assets, as currently operated, which is material to the ownership, operation or value of the Assets, taken as a whole; provided, however, that “Material Adverse Effect” shall not include any material adverse effects resulting from: (a) changes in general market, economic, financial or political conditions (including changes in commodity prices, fuel supply or transportation markets, interest or rates) in the area in which the Assets are located, the United States or worldwide; (b) changes in Laws or in regulatory policies from and after the date of this Agreement; (c) changes or conditions resulting from civil unrest or terrorism or acts of God or natural disasters; (d) change or conditions resulting from the failure of a Governmental Body to act or omit to act pursuant to Law; (e) entering into this Agreement or the announcement of the transactions contemplated by this

Agreement; (f) changes in conditions or developments generally applicable to the oil and gas industry in the area where the Assets are located; (g) matters that are cured or no longer exist by the earlier of the Closing and the termination of this Agreement, without cost to Buyer; (h) reclassification or recalculation of reserves in the ordinary course of business; (i) changes in the prices of Hydrocarbons; and (j) natural declines in well performance.

“**Net Revenue Interest**” has the meaning set forth in Section 3.2(a)(i).

“**NORM**” means naturally occurring radioactive material.

“**Permitted Encumbrances**” has the meaning set forth in Section 3.3.

“**Person**” means any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, government or agency or subdivision thereof or any other entity.

“**Post-Effective Time Tax Advances**” has the meaning set forth in Section 7.8(e).

“**Properties**” and “**Property**” have the meanings set forth in Section 1.2(c).

“**Property Costs**” has the meaning set forth in Section 1.4(c).

“**Purchase Price**” has the meaning set forth in Section 2.1.

“**Purchaser**” has the meaning set forth in the first paragraph of this Agreement.

“**Purchaser Indemnitees**” means Purchaser, its Affiliates, and the officers, directors, managers, members, stockholders, general or limited partners, employees, agents, representatives, advisors, subsidiaries, successors and assigns of Purchaser or its Affiliates.

“**Records**” has the meaning set forth in Section 1.2(j).

“**Required Consent**” has the meaning set forth in Section 3.5.

“**Retained Records**” has the meaning set forth in Section 1.2(j).

“**Schedule Supplement**” has the meaning set forth in Section 5.1(e).

“**Seller**” has the meaning set forth in the first paragraph of this Agreement.

“**Seller Indemnitees**” shall mean Seller, its Affiliates, and the officers, directors, managers, members, stockholders, general or limited partners, coventurers, employees, agents, representatives, advisors, subsidiaries, successors and assigns of Seller or its Affiliates.

“**Seller Indemnity Obligations**” has the meaning set forth in Section 11.2(c).

“**Seller Operated Assets**” shall mean Assets operated by Seller or its Affiliates as of the date of this Agreement.

“**Seller Representative**” has the meaning set forth in Section 12.20.

“**Special Warranty**” has the meaning set forth in Section 7.9.

“**Surface Contracts**” has the meaning set forth in Section 1.2(e).

“**Suspended Proceeds**” has the meaning set forth in Section 7.10.

“**Tax Audit**” has the meaning set forth in Section 7.8(d).

“**Tax Returns**” has the meaning set forth in Section 5.8.

“**Taxes**” means all federal, state, local, and foreign income, profits, franchise, sales, use, ad valorem, property, severance, production, excise, stamp, documentary, real property transfer or gain, gross receipts, goods and services, registration, capital, transfer, or withholding Taxes or other governmental fees or charges imposed by any taxing authority, including any interest, penalties or additional amounts which may be imposed with respect thereto.

“**Termination Date**” has the meaning set forth in Section 10.1.

“**Third Party Claim**” has the meaning set forth in Section 11.3(b).

“**Title Arbitrator**” has the meaning set forth in Section 3.4(h).

“**Title Benefit**” has the meaning set forth in Section 3.2(b).

“**Title Benefit Amount**” has the meaning set forth in Section 3.4(g).

“**Title Benefit Notice**” has the meaning set forth in Section 3.4(b).

“**Title Benefit Property**” has the meaning set forth in Section 3.4(b).

“**Title Claim Date**” has the meaning set forth in Section 3.4(a).

“**Title Defect**” has the meaning set forth in Section 3.2(c).

“**Title Defect Amount**” has the meaning set forth in Section 3.4(f).

“**Title Defect Notice**” has the meaning set forth in Section 3.4(a).

“**Title Defect Property**” has the meaning set forth in Section 3.4(a).

“**Transfer Taxes**” has the meaning set forth in Section 12.3.

“**Units**” has the meaning set forth in Section 1.2(c).

“**UTPCPL**” has the meaning set forth in Section 11.6.

“Wells” has the meaning set forth in Section 1.2(b).

IN WITNESS WHEREOF, this Agreement has been signed by each of the parties hereto on the date first above written.

SELLER

HUNT OIL COMPANY

By: /s/ Paul R. Habenicht
Name: Paul R. Habenicht
Title: Executive Vice President

HUNT OIL COMPANY OF LOUISIANA, INC.

By: /s/ Paul R. Habenicht
Name: Paul R. Habenicht
Title: Executive Vice President

PURCHASER

VANGUARD PERMIAN, LLC

By: /s/ Scott W. Smith
Name: Scott W. Smith
Title: President & CEO



NEWS RELEASE

Vanguard Natural Resources, LLC Signs Agreement to Acquire Properties in North Louisiana and East Texas

Houston – August 4, 2014 - (Business Wire) – Vanguard Natural Resources, LLC (NASDAQ: VNR) (“Vanguard” or “the Company”) today announced it has entered into a definitive agreement to acquire natural gas, oil and natural gas liquids (“NGLs”) assets in North Louisiana and East Texas for a purchase price of \$278 million from Hunt Oil Company. The properties consist of approximately 23,000 net acres that are currently producing approximately 17.5 MMcfe per day with approximately 67% natural gas and 33% oil and NGLs. The effective date of the acquisition is June 1, 2014 and the Company anticipates closing this acquisition on or before October 1, 2014. The Company intends to fund this acquisition with borrowings under its existing reserve-based credit facility.

Scott W. Smith, President and Chief Executive Officer, commented, “This acquisition of mature, long life natural gas and oil properties is an excellent addition to our current portfolio of assets. Along with an established base of producing assets, this acquisition features an inventory of behind pipe and low risk vertical drilling projects that we will begin to develop in 2015. In addition, based on our initial evaluation work, we believe there is the potential for meaningful horizontal drilling opportunities across some of the operated assets. With this transaction, we have established another core area from which we can continue to build upon in the future.”

Highlights of the acquisition include:

- Immediately accretive to distributable cash flow at closing;
- Estimated reserve life of over 23 years based on internally estimated proved reserves of approximately 150 Bcfe;

Proved reserves are divided geographically and by commodity mix as follows:

Field	Proved Reserves				% Proved Developed
	Natural Gas (Bcf)	Oil (MMBbl)	NGL (MMBbl)	Total (Bcfe)	
Cotton Valley (Non-Operated)	43.7	0.6	1.8	58.1	73%
East Haynesville (Operated)	55.7	4.2	0.0	80.7	40%
Other (Operated)	6.6	0.2	0.5	11.0	100%
Total	106.0	5.0	2.3	149.8	57%

Current net production of approximately 17.5 MMcfe/d is divided geographically and by commodity as follows:

Field	Current Net Production				% Natural Gas
	Natural Gas (MMcf/d)	Oil (MBbl/d)	NGL (MBbl/d)	Total (MMcfe/d)	
Cotton Valley (Non-Operated)	7.1	0.1	0.3	9.5	75%
East Haynesville (Operated)	2.3	0.2	0.0	3.7	61%
Other (Operated)	2.3	0.1	0.3	4.3	54%
Total	11.7	0.4	0.6	17.5	67%

- Working interest in more than 290 producing wells and 78 proved undeveloped vertical drilling locations;
- Proved developed production average decline rate of approximately 10%;
- LOE costs forecasted to average approximately \$1.00 per Mcfe over the next 3 years and production taxes forecasted at 7.75% of revenue;
- Forecasted natural gas realization of 115% of NYMEX Henry Hub, oil differential of \$(2.50) per Bbl off of WTI and an average NGL realization of 55% of WTI; and
- Vanguard intends to opportunistically hedge the expected natural gas and oil production for 2015 through 2017; management will continue to evaluate hedging the natural gas liquids component and act prudently and swiftly should the NGL pricing market justify a hedged component.

The Company will review additional details regarding this acquisition on its Second Quarter 2014 Earnings Results Conference Call on Tuesday (August 5, 2014) at 11:00 a.m. Eastern Time (10:00 a.m. Central).

About Hunt Oil Company

Hunt Oil Company, a privately held exploration and production company, has successfully conducted petroleum operations for 80 years. Today, Hunt is one of the world's leading independent energy companies, with operations in North America, South America, Europe, Australia and the Middle East. Hunt Oil Company is an affiliate of Hunt Consolidated, Inc., which is a part of the Hunt family of companies directed by Ray L. Hunt; its major subsidiaries engage in oil and gas exploration and production, energy, real estate, investments, ranching and infrastructure.

About Vanguard Natural Resources, LLC

Vanguard Natural Resources, LLC is a publicly traded limited liability company focused on the acquisition, production and development of oil and natural gas properties. Vanguard's assets consist primarily of producing and non-producing oil and natural gas reserves located in the Green River Basin in Wyoming, the Arkoma Basin in Arkansas and Oklahoma, the Permian Basin in West Texas and New Mexico, the Big Horn Basin in Wyoming and Montana, the Piceance Basin in Colorado, the Gulf Coast Basin in Texas and Mississippi, the Williston Basin in North Dakota and Montana, the Wind River Basin in Wyoming and the Powder River Basin in Wyoming. More information on Vanguard can be found at www.vnrlc.com.

Forward-Looking Statements

We make statements in this news release that are considered forward-looking statements within the meaning of the Securities Exchange Act of 1934. These forward-looking statements are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this news release are not guarantees of future performance, and we cannot assure you that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors listed in the "Risk Factors" section in our SEC filings and elsewhere in those filings. All forward-looking statements speak only as of the date of this news release. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise.

SOURCE: Vanguard Natural Resources, LLC

INVESTOR RELATIONS CONTACT:

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